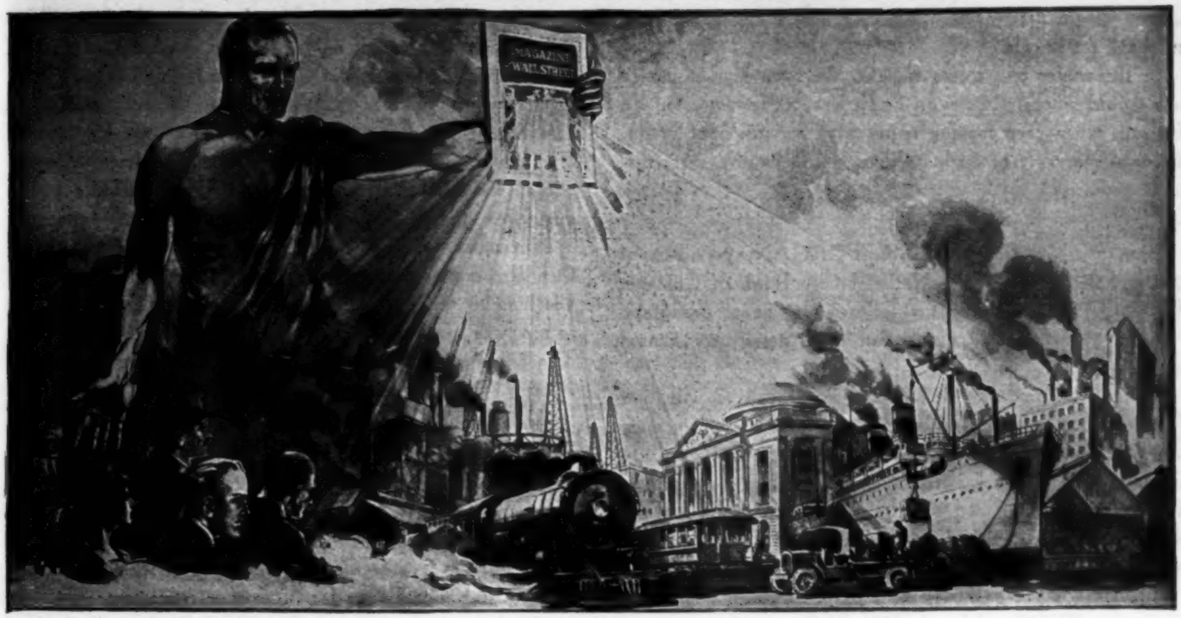


THE OUTLOOK

The Open Market Money Rate and the Rediscount Rate—Refunding of Government Bonds—Railroad Efficiency Growing—Wholesale and Retail Prices — The Market Prospect

DURING holiday week the markets assumed a decidedly more cheerful aspect. There was still a good deal of year-end selling, both by embarrassed business men and to establish losses for income tax purposes, but it was more than counterbalanced by investment and speculative buying on the part of those who looked forward to better conditions in January.

The most influential of those better conditions will be an easier rate for call money. In the last days of December there was a noticeable increase in the supply of call money, although the rate still held at 7%.

* * *

MONEY RATES IN 1921

BECAUSE of the prolonged period of difficulty in borrowing in 1920, business men generally are giving more attention to money rates than has been necessary before for half a decade. The great power of the Federal Reserve Board is now thoroughly appreciated, as a result of its having been demonstrated in actual practice. The firm control exercised by the Board has naturally been resented by many borrowers who had an imperfect understanding of the situation, but the general approval of bankers throughout the entire country has cowed borrowers into an unwilling acceptance of the new conditions. Big business, also, has almost unanimously rallied to the support of the Board.

It is evident that business men have been educating themselves in practical economics during the last ten years—a fact naturally very gratifying to the editors of THE MAGAZINE OF WALL STREET, who have done their best to aid in inculcating sound views on business, finance and investment.

A question now being widely asked is, how soon will the Board reduce rediscount rates? On this point we are authorized, in a semi-official way, to say that the Board has not attempted to reach any decision in advance, but will act in accordance with circumstances as they develop.

It is not likely, however, that rates will be reduced at any early date. The rediscount rate is now below the open market rate. This is a condition that should not exist except in times of special strain. It is an overlap from the war, when it was believed to be necessary to maintain a money position of artificial ease.

The rediscount privilege was plainly intended by the law for the most part as an emergency resource. If the present volume of rediscounts were to be allowed to become permanent, they would not then be available as an emergency resource. But so long as the rediscount rate is below the open market rate, there is a constant inducement for the banks to lend at the higher rate and rediscount at a lower rate. This inducement should be removed by equality of rates, considered as an average throughout the year. Rediscounts will then expand at seasons when more loans are required, and contract as seasonal conditions permit the paying off of the loans.

It is, of course, especially important that the rediscounts based on Government bonds and Treasury certificates should be eliminated. This is a particularly undesirable form of "frozen credit," since it means that the banks are forced to carry, as a load of credit, investments which are most desirable and profitable in the hands of private and institutional investors. Since the week of Feb. 27, 1920, rediscounts on Government paper have been reduced from $1,573,-000,000 to $1,141,000,000. Considering the stringent money conditions of 1920, this is good progress; but 1921

should see this undesirable item very nearly eliminated from our bank statements.

In the winter and spring months, the open market money rate should properly be below the Federal rediscount rate. In the fall, when crop moving requires an expansion of credit, the open market rate might well be a trifle above the rediscount rate.

* * *

GOVERNMENT REFUNDING

DAVID R. FORGAN, president of the National City Bank of Chicago, includes the following pregnant paragraph in a contribution to a newspaper annual review:

"I have the hope that the incoming administration will fund the debts of England, France and Italy to this country on a long-time, moderate interest-bearing, sinking-fund bond, to be guaranteed by the United States and sold in this country. This will reduce our own national debt considerably, and the balance of it should be refunded by the issuance of a twenty-year 4½% tax-free bond which will sell at par."

This is a condensed statement of a carefully considered program. The first part of it should apparently command almost universal acceptance as a reasonable and practical way of handling our big war advances to our allies.

The second part will meet opposition on account of the higher rate of interest proposed and on account of the tax-free feature. But later events have made it clear that our Liberty Bonds, in justice to buyers, should have borne a rate of 4½%. The discounts at which they now sell are an injustice to those who were urged to "borrow and buy," "buy until it hurts," and so on. Many who bought heavily from purely patriotic motives have suffered as a result of their patriotism.

In war, all have to suffer. But now that we are at peace—actually, if not technically—should the bondholder be asked to continue to suffer? He can of course get a much higher return on other securities, and he would by no means be unreasonable in asking that the Government pay him at least the low rate of 4½%.

Whether such bonds should be tax-free is a question that is open to argument. It is certainly better to tax consumption—especially consumption of luxuries—than to tax investment, always a form of that saving or accumulation of capital on which civilization is ultimately foundsd. In time of war, however, it was impossible to place all taxes on consumption, and the shift of taxation from investment to consumption cannot be made too rapidly without undue disturbance of trade.

* * *

RAILROADS ARE MORE EFFICIENT

A CAUSE for general congratulation is found in the increased efficiency in the use of equipment by the railroads since they were returned to private ownership. Average tonnage per freight car has increased more than 5 per cent since March 1, a gain equivalent to the use of 100,000 more cars, and average mileage per day has increased more than 20 per cent, equivalent to adding another 300,000 or 400,000 cars. The mark of 30-miles-a-day average has not yet been attained, but enough progress has been made to show that it is not out of reach.

Adding half a million freight cars to equipment without buying any is no small achievement. It will enable the roads to get through 1921 with only moderate purchases of cars, a highly desirable situation in view of the falling off in railroad income which has followed the check to the activity of business in general. It is not so favorable, of course, for the welfare of the equipment companies, but their interests are less widespread and their connection with the economics of industry less direct.

November railroad earnings are naturally smaller than October, from seasonal causes; but even when they are weighted to make up for this difference, they do not, as far as now available, indicate as good an annual rate as October. The holding back of crops by the farmers affects the roads severely, since they can neither haul the crops out nor haul back the goods that the crop money would have bought.

* * *

RETAIL PRICES STUBBORN

RETAILERS everywhere are now being severely preached to because they do not reduce their selling prices to correspond with the fall of wholesale prices. Bureau of Labor figures for November retail food prices recently given out showed a decline of only 12% from the top, while wholesale prices at that time were down at least double that amount.

All this is perfectly natural and inevitable. Wholesalers did not reduce their prices until they found it impossible to sell at the higher level, and there is no reason why they should expect retailers to act any differently—especially in view of the fact that as a rule retailers are not overstocked as compared with a normal rate of consumptive demand.

But the natural relation between retail and wholesale prices will have to be restored, and the restoration will come mostly through the fall of retail prices. It is highly probable that business will have to be done at the cost of price concessions throughout the winter. Most people have reserve buying power, but they will use it more cautiously than the profiteering wage earner, who now in many cases finds himself out of a job and receiving less sympathy than ever before under similar circumstances.

* * *

THE MARKET PROSPECT

THE sharp rebound in the bond market at the end of the year was no surprise, in view of the bargain prices at which most bonds were selling. Preferred stocks are even cheaper, perhaps, compared with their real value.

The stock market is passing through the familiar stages of accumulation which always follow a big fall of prices. The general condition is one of underlying strength, with the plane of quotations gradually rising as securities are absorbed. Doubtless a good deal of backing and filling still remains to be done, but a good foundation is being laid for an advance.

Among the various groups the tobaccos are showing almost uniform strength; leading investment rails are absorbed on all reactions, but railroad stocks have to be selected with care because of wide differences of position; the best oil stocks have an upward trend; the principal steel, machinery and fertilizer stocks are well supported. On the other hand, mining, leather and shipping stocks show little rallying power, and in other groups there are individual issues whose behavior is discouraging.

Tuesday, Jan. 4, 1921.

"American Banks Have Acceptance Power of $3,847,000,000," Says Robert H. Bean

Secretary of Acceptance Council Contrasts This Figure with $975,000,000 Acceptances Outstanding in March, 1919—The "Why" of Acceptances

Interviewed by WILLIAM McMAHON

THE American Acceptance Council seeks the development of the trade acceptance because the organization believes it will help business. Mr. Robert H. Bean is the secretary of this Council and probably is as familiar with the details of this instrument of liquefying capital as any other one man in the country.

The Federal Reserve Act describes a trade acceptance as "a draft or bill of exchange drawn by the seller on the purchaser of goods sold, and accepted by such purchaser."

In other words, a trade acceptance is a time draft by a seller of goods upon a buyer for the purchase price, and accepted by the buyer with his promise to pay at a specified time and place.

It is negotiable. The reason is that it is an evidence of a sale of merchandise and an acknowledgment to the seller by the buyer of the latter's obligation to pay for goods bought according to the terms.

"To Liquefy Credit"

Said Mr. Bean: "The mission of the trade acceptance is to liquefy credit, improve the turnover and minimize credit losses. To maintain its place as a high grade credit instrument, it will be used with the best class of current accounts.

"The acceptance is used to the best advantage where goods have previously been sold on an open account basis and the credit department record of the customer shows that his account is usually settled with due regard for the credit terms.

"A trade acceptance should never be given in settlement of overdue accounts."

I asked Mr. Bean about the geography of the matter—about the distribution of the use of acceptances—whether they are more popular in the East than in the West.

"Along the Pacific Coast, and west of the Rockies, the acceptance is growing very fast. It is getting to be an institution. Progress in its use is noted in the middle western states, and in the South, especially in Texas. The idea of the Council is never to attempt to force the use of the acceptance. Once a buyer or seller is shown the advantages and utility of it, and thoroughly understands its use and operation, however, he is very apt to quit the open account method."

I asked if there were not possibilities of the misuse of this instrument.

"No system," answered Mr. Bean, "either in credit or finance, is free from misuse by those who wilfully seek to misuse it. In times of credit stringency, devices are frequently resorted to, and sometimes attempts are made to mislead bankers with the trade acceptance, to produce an instrument that upon its face purports to be a commercial transaction when it is nothing more nor less than a fictitious one. The law specifically provides for such offenders and with the exercise of due care and caution by managers of credit departments in business concerns and in banks, such abuses are easily detected.

"Some bankers may feel that the handling of trade acceptances will involve trouble and expense. These, however, will disappear when a large acceptance business is done in this country. A large amount of such business will bring about systems that will make the handling of acceptances simple and convenient. Important committees already have been appointed for the purpose of devising systems of handling trade acceptances to the best advantage, and no doubt valuable suggestions will be the result."

Growing Use

Mr. Bean is full of the subject and quoted the following figures to show the progress of the banker's acceptance.

"In March, 1919, there were about 350

ROBERT H. BEAN

accepting banks in America. Their accepting power was $1,027,275,000. They had accepted in the aggregate $451,265,000. We now have approximately 500 accepting banks, 249 members of the Federal Reserve System having applied for and acquired the privilege of accepting up to 100% of their combined capital and surplus. These 249 banks alone have the power of accepting to the extent of $1,275,860,000. They had acceptances outstanding on June 30 of approximately 40.8% of this amount. The total of American bankers' acceptances outstanding at that time, including those of non-member banks, private banks and acceptance houses, was approximately $975,000,000.

"The maximum acceptance power of the members of the Federal Reserve System is $3,197,470,000. Private banks, non-member banks and acceptance houses have an acceptance power approximating $650,000,000, making the whole acceptance power of American banks approximately $3,847,470,000. This power might conservatively be used to the extent of $2,148,735,000, were our open discount market thoroughly developed and the business methods and practices in this country changed to enable the system to function in the most satisfactory way.

"There are now outstanding about $1,150,000,000 in American bankers' acceptances. The holdings of the Federal Reserve banks of this character of paper bought in the open market and discounted increased during the year about **33%**, while the volume of acceptances issued and outstanding have almost trebled since March, 1919. The Federal Reserve banks purchased in their own market operations for the year ending August 31, 1919, $2,292,456,374; for the year ending August 31, 1920, $3,389,615,984. They discounted during the year ending August 31, 1919, $14,922,634, and for the year ending August 31, 1920, $211,682,038.

"The increase in the total purchased by the Federal Reserve banks in their open market operations is not due so much to the increase in the volume of acceptances outstanding at any one time as it is to the Federal Reserve banks having restricted their purchases to bills of very short maturities.

Federal Reserve Holdings

"The Federal Reserve banks held on June 30, 1919, bankers acceptances purchased in the open market aggregating $233,519,000; December 31, 1919, $405,339,000; June 30, 1920, $255,564,000. These figures show conclusively the growing ability of the open market to absorb bankers' acceptances. Such acceptances are now regarded by investors, individuals, firms, corporations, bankers and others, not only as a safe and sound investment, but a real reserve that can be converted into cash within 48 hours. The New York and New England savings banks alone now have available funds invested in acceptance market now carry portfolios av- The discount houses and dealers in the acceptances market now carry portfolios averaging in the aggregate about $100,000,000. From these holdings investors are able to make selections satisfactory as to maturities, denominations and names.

"As an evidence of the progress that is being made in the development of the market it might be said that one concern whose resources and energies are being applied to the development of the open discount market has discounted and resold to investors, firms, individuals, corpora-

(Continued on page 346)

Big Water Power Development Coming

New Law Provides a Plan of Tremendous Scope—Applications Already Filed Involving Over $100,000,000—Appropriations Inadequate

By **O. C. MERRILL, Executive Secretary of the Water Power Commission**

POWER development has lagged for years because of the lack of adequate federal legislation. That bar no longer exists and the flood of applications presented under the new act is an indication how great the bar has been.

With the new law, a new era is ahead in the development of electric power and its wider distribution and more intensive application in industry and transportation. Nobody knows, except in partial measure and approximate terms, what the nation's commercially available water-power resources are upon which we may place dependence for our future needs, or what is their geographical relation to sources of raw materials, to lines of transportation, or to probable centers of industrial activity.

Tremendous Power Available

We believe our water-power resources are greater than those of any other industrial nation, but no one can estimate the full amount of power that can be developed from our streams with any accuracy. The minimum estimate is placed at 50,000,000 horsepower, and the maximum at 200,000,000 horsepower, and even the maximum is conservative if storage facilities are taken into consideration.

When, however, it is realized that our power requirements for electrical utilities, for railroads and for manufactures are not less than 150 billion kilowatt hours per annum, and that in addition many millions of horsepower are represented in heating plants, it appears time to take an inventory and to find out what and where our power resources are.

The commission has authority to do this whenever it is granted the means. Other nations have realized the importance of this information. Great Britain has made a general study of the entire empire along this line. Canada has been carrying on this work for years. France, Spain, Switzerland, Italy, Norway, Sweden, and even Finland, are ahead of us in their knowledge of water-power resources. Japan is handling an extensive survey of its resources, and Bolshevik Russia is becoming active in ascertaining what her resources are. We alone seem to be content with mere conjecture.

The advantages in the new law include, just to mention a few leading features, a license system in place of the uncertain tenure and unknown requirements of previous laws. The applicant for power privilege may obtain a license for a term of 50 years. This license is a contract with the government. It contains in express language all the conditions that the licensee must fulfill, and it cannot be altered during its term, either by the executive or by Congress, without the consent of the licensee.

When the license period expires, the United States may take over the properties of the licensee for its own use, permit them to be taken by another, or issue a new license to the old licensee; but if the properties are taken away, the licensee must be paid his "net investment" in the properties, an amount equal to the actual investment, plus severance damages, and less such sums in depreciation and amortization reserves as have been accumulated in the period of the license after having received a fair return upon the investment.

If the license is renewed, it must be upon "reasonable terms." The basis of payment will protect every dollar of actual, honest investment in the properties, although "unearned increment" and intangibles will not be recognized.

A Broad Plan

The licensee will have to plan his own project, conforming, however, to a scheme of development embracing the full reasonable utilization of the power in the stream, and he must maintain his plant in good order, provide for depreciations out of the earnings, maintain a system of accounting in such form as may be prescribed, and pay a reasonable annual charge to reimburse the United States Government for its cost in administering the water-power act and recompensing it for the use of the public land or such other government property as may have been used.

> ***TWO decades prior to the passage of the present Water Power Act only a few hundred thousand horsepower were developed on the public domain. Plants for less than 50,000 horsepower were built on navigable rivers during the decade in which the water power act of 1910 was in force. Now that the liberal measure passed last Summer has been put on the statute books, more than 135 applications for permits or licenses under the act, involving 25 states and the District of Columbia and aggregating more than 12,000,000 horsepower (over half in the navigable rivers in the Eastern states) have been filed with the commission and await its action.***

It is the intent of the water-power act, and it will be the purpose of its administration, to place no burden upon water-power developments, and to inject no risk into their operation that cannot show a compensating public advantage sufficient to justify the public payment of any added cost that may be caused thereby.

Congress in passing the act provided that it should be administered by a Federal Power Commission, composed of the Secretaries of War, Interior and Agriculture, but that with the exception of an executive secretary and engineer officer, all the work should be performed through the personnel of the three departments, whose secretaries comprise the commission, and who have hitherto had water-power development in charge. It also made an appropriation of $100,000 for the payment of expenses.

Estimates were prepared and submitted to Congress for the fiscal year 1922, but at the hearing before the committee on appropriations, the commission was informed that there was no authority to present estimates for purposes not specifically set forth in the fundamental act. In order, therefore, for the commission to perform its functions in the next fiscal year, as well as to utilize the appropriation it now has, it will be necessary to secure an amendment to the water-power act itself. This amendment has already been introduced, and the hope is that even in the rush of the short session it may be possible to get it enacted into law.

In passing the law in this form, Congress apparently assumed that there would be no greater water-power development in the future than in the past. The unsatisfactory character of previous laws resulted in very little activity in water-power development where it was necessary to obtain rights from the government. On the navigable rivers, for example, less than 50,000 horsepower had been developed under grants of Congress since the year 1910. The applications on these streams at the present time exceed 5,000,000 horsepower.

Magnitude of the Task

The commission has an enormous task before it and one that will be of vital importance to the industrial development of the United States.

One special feature of the act which places new and important duties on the commission is concerned with valuation. The act provides that when a constructed project is brought under the provisions of the act the properties shall be valued and that the value so found shall thereupon be deemed the net investment of the licensee in the project. Applications have already been filed with the commission for licenses under the new law for a considerable number of such projects, aggregating approximately 800,000 horsepower and involving values in excess of $100,000,000. Projects involving several hundred millions more will be seeking licenses in the near future.

When it is realized that every dollar of valuation allowed by the commission to go upon the capital account of these licenses becomes a potential liability of the United States; that is, that it determines the price which the government must pay at the end of the license period if it takes these projects over, the importance of this feature of the work becomes apparent.

This item alone is a task of no small magnitude. In fact it is second only to that of the Interstate Commerce Commission. It will require the commission to procure a personnel trained and experienced in valuation work and to pay a scale of salaries under which it may avail itself of properly qualified service and advice in valuation matters.

Foreign Trade and Securities

The World's Business

Financial and Industrial Conditions in Leading Foreign Countries

ENGLAND

THE iron and steel trades are experiencing a slow but steady reduction in prices. England considers the case of Belgium, which was the first producing country to reduce iron and steel prices, now being showered with orders. Inasmuch as the home demand cannot absorb the output of the British works, and also because there is a reduction in prices going on continually in all the producing countries, it is predicted by students of the situation that iron and steel prices in England will go to far lower levels, accompanied by a corresponding increase in her exports.

Manufacturers of dyestuffs are finding difficulty in securing export licenses, which means that American manufacturers are laying the foundation for a big Chinese business. Of course, Germany is still on the job with her efficient campaigns in her aniline and indigo dyes. However, if or when the British manufacturers are permitted more and better facilities for obtaining export licenses, the manufacture and exportation of dyestuffs will leap forward.

According to a statement made by the National Bank of Commerce in New York, England and her possessions have imported from the United States in the first 10 months of 1920, double the number of automobiles than for the corresponding period in 1919.

England is tossed by labor troubles. Trade-unionism is fast assuming the form of menacing agitation. As a consequence, industries are not in a state of progression. Only about one-fifth as much coal was exported from England in the month of October, 1920, as was exported during the same month in 1913. Of course, the value is higher.

A saving thing about the situation is that England's banking system is sound. There was one failure of a private bank during the past month, although this is not very disturbing to Americans, who are accustomed to bank failures.

The end-of-the-year valuation of 387 stocks shows a fall in market value for the year of about 250 million pounds, while the same securities compared with July, 1914, values show a depreciation of 1 billion pounds. Added to this is the slump in commodities. Some of the English writers on conditions argue that commodities must go lower before the movement sets in for a substantial recovery. Some of the pessimistic of these prophets predict that there will be many failures during the next few months.

GERMANY

A report just published by the German Ministry of Economics shows that in the first five months of 1920, Germany's exports amounted to 23,688,000,000 marks, as against 1,169,000,000 for the same five months of 1919, whereas imports in the same period amounted to 28,480,000,000 in 1920, as against 3,339,000,000 in 1919. The report says, "The disproportion between imports and exports had been lessening gradually since October of 1919. In April, 1920, the exports exceeded the imports for the first time. In May, 1920, the last month for which trade statistics are available, the excess of exports rose to 1,110,000,000 marks."

Germany is going in heavy for South American trade. Here is an example: Five locomotive companies—two English, two American, and one German—recently bid to a certain one of the South American governments for a line of railway equipment. The German underbid all the rest by 30%.

We wonder how Germany can make much headway in foreign trade, handicapped as we know she is. We may think she has no shipping, but she turns to Scandinavia to carry on her shipping for her. Blacklisting does not seem to interfere, and the loss of the cable which the Germans laid ten years ago from Emden to the African Coast, has not proven to be an insurmountable obstacle. Wireless is taking the place of the cable. German interests have inaugurated eight wireless stations in Argentina. A loan of 20 billion marks is scheduled to go through the Reichstag before the first of January, which will be used to reduce inflation.

Despite the protestations of poverty in Germany and the consequent claim of inability to meet reparation payments, the unification of the great German dye plants, effected in 1916 and originally planned to continue until 1966, has now been extended to the year 2000. For the enlarged operation of these plants new capital is being called and eagerly subscribed by German citizens.

FRANCE

France is handicapped industrially because she feels that she is obliged to maintain a large army, costing not only enormous sums of money, but taking her manpower from productive activities.

Figures recently published for the first nine months of 1920 show imports of 27 billion francs compared with 24½ billion francs for the first nine months of 1919, and exports of 16½ billion francs this year as against 6½ billion francs last year. The import increase is small, while the export increase is large. This is a sign of French pluck and management.

The woolen and cotton trade is affected by the fall in prices and the restricted purchases by the public. Manufacturers have large stocks of goods on hand, purchased at a high price. In 1919 appeals were made to manufacturers to produce, and now there is an appeal to the public to restrict purchases.

The leather business is bad in France, owing to the fall in prices. One large leather concern has just failed in Paris with liabilities exceeding 40 milion francs.

Reports from Lyons, the great silk center, states that the price of the staple product has fallen 50% in the last four months. Some of the large manufacturers now holding large stocks of silk are considering an arrangement whereby all or most of them will throw their stocks on the market at a loss, and be done with worrying.

American and French oil interests are getting together by the recent formation of the Standard Franco-American Oil Company. Probably the idea in this is to break the monopoly in oil which French interests have enjoyed up to this time.

ITALY

The disturbances which embarrass the industries of Italy are gradually subsiding. The government seems to be successful in coping with the warfare which raged for a while between capital and labor.

The Italian government has assumed control, to a large extent, of labor. It is seeking an arrangement with this country whereby we will get Italian laboring men, and Italy will get our coal. Whether this arrangement can be consummated or not is a question.

Labor is Italy's principal commodity of export. She needs coal more than any one thing, and this need is illustrated by her imports of coal from Great Britain during one month, October. In this month in 1920 she imported 171,000 tons in round numbers. In the same month of the year 1913, she imported from Great Britain 910,000 tons. However, the cost of the month's coal this year was 802,000 pounds, as against 652,000 pounds for the month in the year 1913.

Recently a proposal has been made at the Italian Embassy at Tokio to send a mission of Japanese business men to Italy for the purpose of conducting negotiations with the leading Italian silk men in the interest of the development of sericulture in China.

Across the border is what was once Austria. Austria seems to have given up industrially. In Vienna the street railways and gas and electric works will have to be sold, because their constantly increasing deficit cannot be met. Once a

tobacco monopoly was centered in Vienna, but the whole business is for sale now, and no buyers. These and other concerns can and will earn many millions for private enterprise, while they are at a loss to the state. The adventurous American dollar could go in here and purchase these deteriorated concerns at an insignificant cost, and make a real investment.

NORWAY

Norway is making an effort to increase its exports and decrease its imports until something like normal conditions obtain. From January to September, 1920, the value of Norway's exports to this country was 66% above the highest point in any year before the war. In the same period in 1919 the value of Norway's exports to this country was 4½ million dollars; this year they amounted to 15 million dollars, an increase of approximately 240%. Her imports from the United States decreased from 99 million dollars during the first 8 months of 1919 to 75 million in the same period of 1920.

In November a campaign was begun in New York to borrow 150,000,000 kronor. This comes rather soon after the recent offering of $20,000,000 of 8% bonds.

Commodity prices in Norway are 400% higher than they were before the war. The high price of coal is especially felt. Norway imports all of her coal and the high cost of it necessarily works to impede her industries.

Bergen, a flourishing Norway city, sold $4,000,000 of her 8% bonds in New York in November, which shows that New York investors have a good opinion of Norway cities.

Norway has no retarding labor problems nor Bolshevik tendencies. Her banking facilities are good, and the national characteristic is thrift and honesty.

BELGIUM

Belgium continues to set the pace in Europe. The country is showing wonderful recuperative powers. The first 8 months of 1920, the commerce of Belgium amounted to 14,933,650,000 francs, of which 8,461,925,000 francs were imports and 6,471,725,000 francs exports. The commerce for the same period of 1919 amounted to 4,210,900,000 francs, of which 3,144,779,000 francs were imports and 1,066,121,000 francs exports. Of course the value of the franc in 1913 was at a parity with a dollar, whereas at the present rate of exchange the franc has depreciated nearly threefold. Making due allowance for this, still the present commerce of Belgium is greater than it was in 1913.

There is a balance of trade against Belgium amounting to about 2,000,000,000 francs; due to the import of food products and beverages as well as raw materials, the import of which is increasing from month to month. In manufactured goods there is an increase of exports of nearly 600,000,000 francs over the corresponding period of 1919, the exports in point of quantity being nearly double that of 1919, and in point of value, ten times as great.

The principal imports from the United States are meat, butter, margarine, grain, canned goods, hides, copper, iron and steel, tobacco, wool, cotton, chemicals, leather, shoes, underwear, finished rubber and automobiles.

The principal exports to this country were sugar, raw hides, ivory, rosin, chemicals, silk thread, linen and glass.

The progress that is being made in Belgium is reflected in her railway returns. In 1913 the receipts for 9 months amounted to 252,000,000 francs, and the returns for this year show receipts amounting to 584,580,000 francs. Notwithstanding higher charges, the figures mean good trade activity.

HOLLAND

The imports for the first 8 months of the year 1920 exceeded in value the imports for the same period of 1919 by about 50%, and the exports for the first 8 months of this year exceeded the exports for the same time last year by about 50%.

Warehousing Company "Katoenveen," Inc., a limited company, has recently been organized by several of the leading merchants, chambers of commerce, steamship contractors, brokers, and banks of Holland, for the purpose of specially attending to the storing, cartage, conveyance, sampling and general handling of American raw cotton, cotton linters, and waste. Rotterdam recently erected a Cotton Exchange, which will be open to visitors as well as to members of the Rotterdam Cotton Association, and is apparently making a strong bid to become the gateway for the transshipment of merchandise from the United States to Central Europe.

There is a proposition on foot for the Netherlands government to take control of the railroads. It is proposed that the state railway company increase its capital from 24 million florins to 40 million, and that the Dutch railway company increase its capital from 22 million to 30 million florins. This new stock will be bought by the government at par, thereby giving the government control. There are many provisos in the proposal that seem equitable, among them being that if profits in any year exceed 6½%, the government will take over 80 per cent of the excess.

The German government has just borrowed 200,000,000 guilders from Holland.

An Opportunity

American investors are buying the high grade bonds of foreign governments issued in London and payable in sterling. The discount on sterling at New York means getting these bonds cheap. Assuming that these bonds are first class and that the price in London will rise on account of the exchange ultimately reaching normal, there will undoubtedly be a profit in the transaction on a resale.

British investors are equally awake to the situation due to the desparity in exchange. Many sterling issues of American enterprises are payable not only in sterling but at the option of the holder of the securities at New York in United States gold, and the exercise of this option at this time permits the British holder to buy with the proceeds of his coupons in New York an amount of sterling much greater than he would receive if the coupons were cashed in London.

CHINA

Shanghai Trade Growing

The year 1913 in the commercial history of China was reasonably normal; therefore, for comparative purposes, says Consul General Edwin S. Cunningham, it may be accepted as fairly representative of the pre-war period. In 1911 a revolution replaced the dynasty with a Republic, and conditions were naturally decidedly unsettled. The year 1912 may be regarded as a reconstruction period with usual unsettled conditions, and 1913 suffered a second small revolution, which did not upset commercial conditions.

In 1913 Germany was an important factor in the foreign trade of Shanghai, even more important than the approximate 5 per cent reflects, whereas in 1919 it is omitted from the list of nations trading with Shanghai. Russia bought, in 1913, $8,604,055 of Chinese products, and in 1919 only $6,278,449, though China's trade almost trebled in that period. Imports from Russia have always been a negligible quantity. Belgium has not resumed its place among the nations trading with Shanghai, though in 1913 its trade amounted to $11,068,230.

Great Britain held first position in Shanghai's total trade in 1913, easily being almost 50 per cent greater than the nearest competitors, the United States and Japan, whose trade was almost equal in 1913. In 1919 the United States for the first time took first place in the total foreign trade with Shanghai, with Japan in the second place and Great Britain in the third. Just how much the boycott of Japanese goods in China has affected the trade is unascertainable, but no doubt it has had considerable to do with Japan dropping into the place of second importance.

The phenomenal growth of the Canadian trade with Shanghai from $1,673,723 in 1913 to $26,384,894 in 1919, it may confidently be stated, is very largely due to the better shipping facilities provided by Canada between Vancouver and the Orient, for United States products is provided between American Pacific ports and the Orient, and the further reason that the importer incorrectly states the origin of the goods when he makes his declaration to the Chinese Maritime Customs. In other words, the United States sales and purchases are accredited to Canada rather than to America, the real source and destination.

As a single illustration, reference is made to the item of imported textile machinery in a table for 1919, which credits $1,554,998 to Canada and $1,087,374 to the United States, whereas it is well known that the manufacturers of textile machinery are located in the United States and not in Canada.

The following table, in haikwan taels, indicates the phenomenal growth of the port of Shanghai from 1913 to 1919, as reflected in the gross and net trade:

	Net Trade
1913	207,222,249
1914	208,075,135
1915	208,173,308
1916	240,472,340
1917	276,411,418
1918	323,998,501
1919	410,748,767

The gross value of the trade of Shanghai in 1919 was $1,043,720,363; in 1918, $748,123,598; and in 1913, 395,616,112; an increase in 1919 over 1918 of $295,596,766, or 39.5 per cent, and over 1913 of $648,104,252, or 163.8 per cent.

LONDON'S FAMOUS SKYLINE

Britain's Imports at Lowest Point in Year

Trade Returns for November Show Important Improvement—Government Financial Requirements Still Heavy—The New Currency

By **MAX GOLDSTEIN**

Traveling European Representative of The Magazine of Wall Street (Writing from London)

IN spite of the effects of the coal strike, the trade returns for November for Great Britain are the best in four months. In fact, the excess of imports have shrunk to a figure that has been lowered only once in the past twelvemonth, as the accompanying statistics show.

One unsatisfactory feature, however, is that all and more of the reduction in imports is accounted for by the decrease in raw materials, amounting to nearly £11,000,000. While this is partly due to declines in raw material prices, it is probably enjoy a very good market next year, part of manufacturers to use up existing stocks of raw goods. This suggests that raw materials producers in America, particularly of metals and cotton, will probably enjoy a very good market next year when the British trade slump is over. One effect of German competition, in all probability, is registered in the increase in imports of chemicals, dyes and drugs, by over £2,000,000.

Among the exports, coal, as was natural, shows a dropping-off, but an improvement of over £5,000,000 is shown in steel and iron articles and machinery. Cotton yarn and manufacture also show an increase of fully £10,000,000, but this may be attributed to the execution of old orders.

News at the present time from the textile industry of the North is anything but cheerful, as the daily papers of the district are full of stories of one mill after another closing down or operating on a twenty-four-hour week schedule. Unemployment is general and a distressing feature of the trade is the tremendous cancellation of contracts which is taking place. Many old firms have had to resort to bank overdrafts, adding to the financial stringency which is prevalent.

Large Government Requirements

Heavy Government requirements are believed by many financial observers to be the most important immediate cause of the money tightness, and little improvement in this respect is anticipated before early 1921. Considerable agitation against a number of the fiscal policies of the Government is beginning to bear fruit.

The long-standing outcry against "waste" in the conduct of public affairs has led to a thoroughgoing discussion of the whole problem which is now going on, and in the opinion of some will eventually cause a decline of perhaps over £200,000,000 in Government expenditures. It is proposed that departments originated to take care of war needs be liquidated, and that the others be "rationed" in a drastic budget which will compel them to cut down their staffs and institute a regime of severe economy.

Another Government plan which is being severely attacked is the attempt to pay off the major portion of the war debt through taxation of the present generation. Prominent financiers urge that part of the burden be shifted on to the next generations, because the war was waged for their benefit as well as for our contemporaries, and more practically because the amount of taxation necessary to pay off the debt at this rate is an intolerable burden to industry and deprives it of much-needed capital. Whether the advocates of a change in the Government's policy will be as successful in this direction as in the other is difficult to say. Certainly no signs have appeared to indicate it.

FOREIGN TRADE OF GREAT BRITAIN.

1919.	Imports.	Total Exports.	Excess of Imports.
Nov...	143,564,907	107,376,940	36,187,967
Dec...	169,735,141	117,018,164	52,716,977
1920.			
Jan...	183,498,388	131,344,386	52,154,002
Feb...	170,514,272	108,567,919	61,946,353
March	176,647,515	130,730,738	45,916,777
April..	167,154,309	126,659,111	40,495,198
May..	166,333,816	139,579,500	26,754,316
June..	170,491,230	136,476,278	34,014,952
July ..	163,342,351	155,300,383	8,041,968
Aug...	153,254,578	128,271,682	24,982,896
Sept..	152,692,339	130,806,521	21,885,818
Oct...	149,889,227	128,429,034	21,460,193
Nov..	144,200,183	132,479,853	11,760,330

Another proposed change of importance is the proposed wholesale funding of the floating debt, by the issue of a short-term bond which will be constantly kept "on tap," as the War Stock was, that is, with subscription list kept continually open. It is pointed out, however, that while this method succeeded during the war, it might have different results at the present time, with no war profits to draw on, a trade slump prevailing, and plenty of other channels working to draw off investment capital which were closed during the war, as in the United States by the Capital Issues Committee. The plan has some powerful advocates, however, and recently the Manchester Board of Trade has come out with a resolution calling for its adoption.

Revenues Up to Expectations

In the meantime it has been officially stated in Parliament by the Chancellor of the Exchequer that revenue is coming in about up to estimate, while expenditure is apparently somewhat below the estimated amount. He reminded his hearers, however, that expenditure during the latter half of the year is normally above that for the first half, so that this favorable showing probably would not be maintained. It is believed, however, that both revenue and expenditures for the year will be found to have come up to original expectations without material variation.

Little excitement has been aroused by the announcement that in a few days the Government will begin to replace the existing silver currency by a new issue consisting of 50% silver, the rest being mostly nickel. This will not interest American silver producers much, as they

(*Continued on page* 355)

Germany's Demoralized Railroads

Once Prosperous Systems Fast Going Into Decay—Government Unable to Cope With Situation —Can They Be Saved?

By **ALLEN WILSON PORTERFIELD**

IF we are slightly concerned for the welfare of our railroads, Germany is desperately worried about hers. The same lines that once constituted the pride of the Empire and turned over to the various state treasuries approximately 1,000,000,000 marks every twelve months will close the present fiscal year with a deficit dangerously near 15,000,000,000 marks. The system now in effect cannot possibly be continued, though a way out of the tangle is not in sight. Of unanimity of opinion among those responsible there is not the slightest trace. And yet Germany must have railroads.

Difficulties Developed Suddenly

The difficulty, war-made, of course, has descended upon the German government with such suddenness that it stands aghast. Though the German roads began to depreciate in value at the very beginning of the war, they still showed a net profit of 566,937,069 marks in 1917 as compared with a clear loss of 1,228,841,032 marks in 1918. In other words, they were 313.31% less favorable as an investment in 1918 than in 1917. Since then the losses have been colossal.

When the war broke out, there were 38,747 miles of railroads in Germany, 2,917 miles of which belonged to private companies and the rest to the various states through which the roads ran. The Federal Government had nothing to do with them. The present Republic saw from the outset that it was impossible for the states to hold their roads; they were all turned over to the Reich, or realm. This was not done in the vicious and almost proverbial belief that the national government is a princess bountiful with inexhaustible treasures. It was clear that a change had to be made and the federalization, or socialization, of the roads seemed the most feasible plan.

Now if a violinist or lyric poet were asked why Germany's roads are running behind he could give a number of substantial reasons, such as the increased cost of production, the decreased effectiveness on the part of labor, and so on. A few statistics, however, will throw additional light on this question.

Taking the six years from 1914 to March 31, 1920, the increase in the cost of coal has been 1900%; that of manufacturing a medium-sized locomotive 600%, and that of putting a 15-ton freight car on the tracks 950%. Steel rails now cost 28 times what they cost six years ago, oak wood 38 times as much. Freight rates for the same period have been increased, to be sure, 490.6% for the same period, and passenger rates have also been increased. No railroad has ever yet become glutted with riches, however, from hauling human beings.

The receipts for one kilometre (five-eighths of a mile), are now 4.7 times as large as in 1914, while the expense of running one kilometre is now 12 times as great as it was then.

Prussia as a "Boss"

But one trouble with the German roads is not so much the discrepancy between the increase in the cost of operation and the increase in freight and passenger rates as in Prussia. Damning Prussia has been a favorite pastime for about six years. But however rotten she may have been as a state in general, she was an uncommonly successful, even if disagreeable, boss of other states. And Germany's state railroads were largely Prussian railroads. Of the total 38,747 miles, 23,771 miles were in Prussia. But there are no more Prussian roads. There are only German. Prussian efficiency is gone—and gone, the Germans now feel and the rest of us hope, forever and beyond recall.

A glance at the dividends paid by the four states that ranked as Kingdoms under the Empire will show how Prussia outranked the others as a manager of railroads. Taking the five years immediately preceding the war, the table herewith shows the interest the four main state railroads paid on their investments.

INTEREST PAYMENTS BY FOUR GERMAN ROADS.

Kingdom	1909	1910	1911	1912	1913
Prussia	5.94	6.47	7.20	7.27	6.39
Bavaria	4.22	4.68	5.19	4.45	4.22
Saxony	3.99	4.75	5.58	4.65	4.60
Wurttemberg	3.06	3.53	3.43	3.38	3.04

The figures are eloquent. Württemberg, for example, is what the conventional tourist terms a "lovely country," but where her railroads paid a trifle over 3%, Prussia's paid over 6%, and business is business.

The first phase of the situation to be considered has to do with manpower. Where Germany was employing 740,502 men six years ago, she is now employing 1,043,620, or about 27 men to a mile. And where, only seven years ago, the average salary of her railroad employees was 1,300 marks a year, it is now near 13,000 marks. Where these men formerly worked 12 hours a day and were happy, they now work 8 and are sulky. And where there were 221,-206 cases of sickness as late as 1917, there were 451,677 in 1918. Nor are these feigned cases. The men are underfed and unfit to ward off disease or do a full day's work—or a full eight hours' work—when well.

Rolling Stock Over-Extended

Moreover, the rolling stock of the German railroads is, and long has been, large, if not excessive. When the armistice was signed Germany had about 30,000,000,000 marks invested in her roads. Prussia alone had 29,184 locomotives, 54,823 passenger coaches, and 624,459 freight cars. The condition of these after nearly five years of war service is more easily imagined than described. The engines were stripped of every single ounce of copper mountings, the axles were ground out from lack of oil, the passenger coaches were without everything except the worn, torn and battered framework, and the roadbeds were weedy. But it is all in the family, the Socialist Government thought, and when it took them over it did so with charitable and convenient neglect of the fact that they had just been through the war and paid prices at peace value. And then, German-like, they set to repairing. They have done much of it and at an enormous cost. Materially Germany's roads today are in fair condition.

It all presents a fascinating problem in the relation of state to federal government. How is Germany going to solve it? She has suggested the formation of a Federal Railroad Stock Company, she has considered renting the entire system, she has been strongly advised to return the roads to their former state owners, and she has even thought of selling them to a foreign consortium.

Only One Plausible Scheme

It is as plain as a pikestaff that the last three of these schemes are unfeasible separately and moonshine incarnate taken collectively. Who would rent or buy a concern that is losing fifteen times as much as it made five years ago? What transformation has taken place within the twenty-four states of the realm which a year ago threw up their hands, cried *"Kamerad!"* to the Federal Government, and said, "come, take us over, for we are at the end of our string?" How many of the states would agree to take back what they were only recently glad to get rid of? The answer in each case is negative, both in form and fact.

But something must be done. Private ownership is out of the question. The privately owned roads always paid their men less and worked them harder than the state roads, and yet their rates were higher and their service inferior, so that everybody was dissatisfied and nobody has forgotten the lesson learned. Anyhow, Germany is setting her mind, under duress, on the complete socialization of all industries such as railroads, so that the prospect of "capitalistic in-

(Continued on page 347)

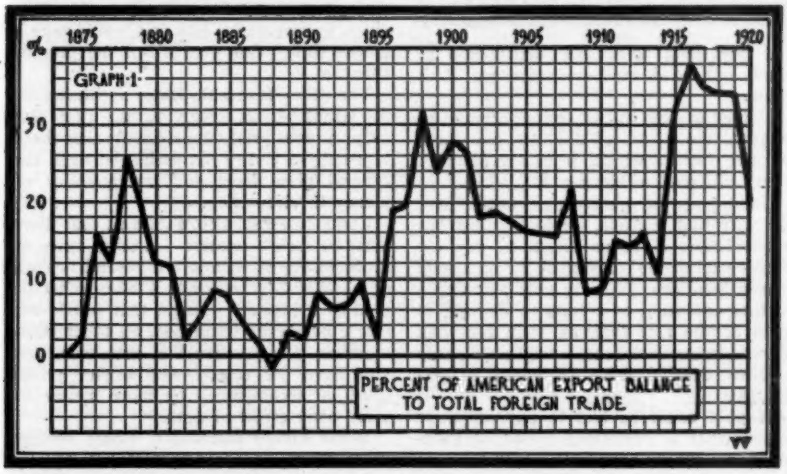
Money, Banking and Business

The Prospect for Revival in 1921

Part I—Economic and Financial Factors

By G. C. SELDEN

SO emphatic, and so far-reaching in their effects upon the pocketbooks of our entire population have been recent broad swings of prices and business activity, that it is no longer necessary to argue or quote statistics to prove that these swings are based on something more fundamental than the varying conditions of individual industries.



The "tides in the affairs of men" have become matters of common knowledge.

The cycle theory, when I began to write about it twenty years ago, was by no means a novelty, but it was still a theory. The fantastic effort of Jevons to connect the ten-year cycle with sun-spots had given the idea a bad start with the more practical class of economists. As for the business man, he regarded the whole subject with suspicion and doubt. He stigmatized it as "theoretical"—than which, from his point of view, nothing worse could be said.

But the theoretical stage has been passed. When I wrote in the *Quarterly Journal of Economics* about the "instinct of anticipation" and its effect upon prices and business activity, the leading economists of that time spoke of my "very interesting article." Lay readers were frankly skeptical.

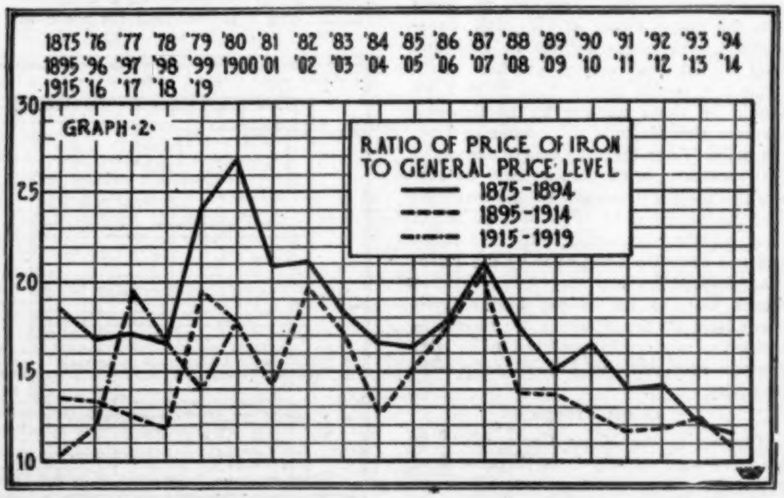
Today their own vain efforts to anticipate the wide fluctuations of both security and commodity prices have afforded practical illustrations of the idea, until it no longer needs either explanation or defense.

Swings Within Swings

There are, in a word, two forms of "cycles," or trade swings—the "Major Cycle," which in this country since 1837 has varied in length from 16 years (in Civil War times) to 20 years; and the "Minor Cycle," quite clearly visible since 1885, usually completed within three or four years.

The minor swing operates within the major swing and is influenced by it. That is why the major swing is of practical importance. Before we can form an intelligent estimate of the character of the next Minor Cycle we need to know our position in the Major Cycle.

Graphs 1 and 2 will be remembered by some of the persistent readers of this publication. They show, as well as any figures I know, the broad trend of the Major Cycles.



The basic idea of Graph 1 is the broad inflow and outflow of gold to and from our shores. A period of trade depression and low prices in this country makes it a good place for foreigners to buy merchandise and poor place for them to sell. Result: The U. S. sells more than it buys and the excess of sales has to be paid for by other countries in gold.

Since gold supplies are the basis of credit, this inflow of gold permits a wider extension of bank credits and this has a decidedly stimulating effect on our domestic trade. Our prices gradually rise compared to prices in other countries, and eventually conditions are reversed—the U. S. becomes a good market for foreigners to sell in and a poor market for them to buy in. So our export balance of merchandise falls off. (In fact, it will probably, within the next decade, become an import balance.)

Our gold imports then cease and gold exports follow. This cuts down our base for credit and brings a long, slow price decline—interrupted, of course, by considerable rallies—until finally we find ourselves back at the beginning of the process again, with low prices, growing exports, and gold coming in again.

Counting from our years of biggest export balances, as seen on Graph 1, this cycle lasted from 1878 to 1898, and the next one (shortened by the war) from 1898 to 1916.

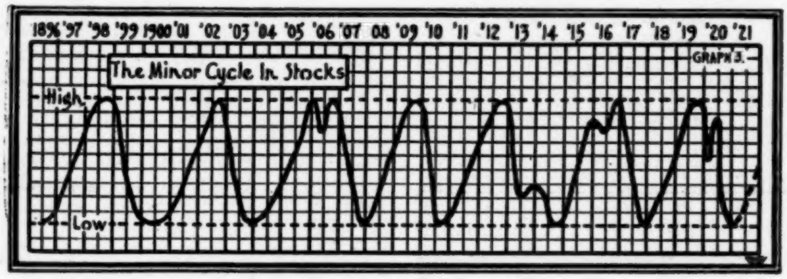
Our export trade, though much smaller in volume than our home trade, is important because it directly affects our gold

supply and thus our credit expansion or contraction.

Importance of New Construction

When we come to domestic business, the biggest factor of change over long periods is found in the extent of new construction. Ordinary consumptive trade varies considerably over shorter periods—the Minor Cycle—but in a decade it must nearly balance itself. We can't go without the things we need for ten years, though we may for one year.

And since iron is the principal material of new construction—such as building new factories, railroads, public works, and so on—we turn to the price of iron as a fair indication of the big changes. To show this to the best advantage we take, not the price of iron in dollars, but the relation of its price to other prices, as shown in Graph 2.



Without dwelling upon the details, Graph 2 shows that in each Major Cycle we have about ten years when the price of iron is relatively high compared with what we might call "consumptive" prices, and another ten years when iron is relatively low in price.

It is impossible to take space here to give all the reasons, but these graphs and others similar convince me that the place of 1921 in the Major Cycle corresponds roughly to that of 1903 and 1883 in the two preceding cycles. This does not mean that the minor swing in 1921 will correspond to the minor swings in 1903 and 1883. That will depend on the Minor Cycle. It means merely that in 1921 we should be about one-quarter of the way through the Major Cycle, counting from the point of our biggest export balance.

It means, in brief, that we have no reason to expect a prolonged trade depression such as occurred in 1893-1897, or might have occurred beginning with 1913 if we had not been lifted out of it by the European demand for war supplies in 1915. It means that, so far as the Major Cycle sheds light on the situation, we should be entitled to another Minor Cycle of at least average prosperity to follow the present inactivity.

In the Trough

Turning to the Minor Cycle, which as we have seen usually lasts three or four years, there is no question as to where we are now. We are in the trough. This is shown by Graph 3, showing the Minor Cycle in stocks, considered from the point of view of time alone. It will be understood, of course, that the high and low points shown on this graph were far from uniform as to price level. The object of the graph is merely to show the time covered by the various swings of the market.

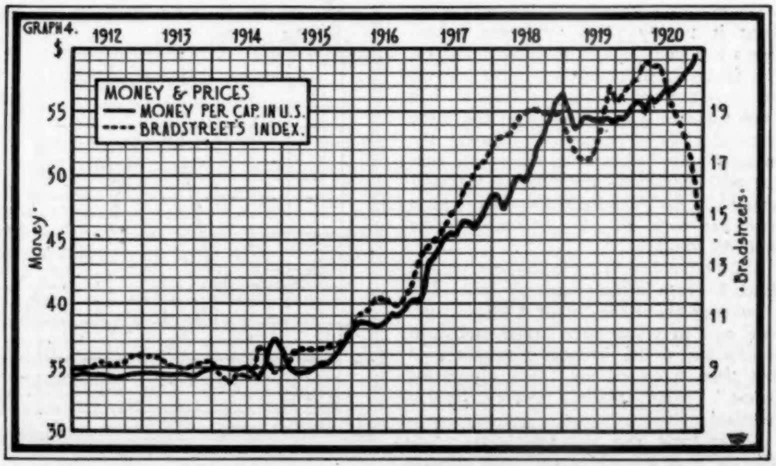
The dotted part of the line shows about what may naturally be expected to happen if the Minor Swing pursues its usual course. This graph was printed in our issue of July 19, 1919, with a dotted line extending through the remainder of that year, and in that case the dotted line proved to be as accurate as I could have made it after 1919 was over—which proves, perhaps, that I can't expect the same good fortune with the 1921 dotted line.

But, in any event, we are now in the trough, and a deep trough at that, and the question is how wide the trough will be and how long before we shall begin to climb out of it and how far we shall climb.

There is one factor which tends to lengthen the period of dullness, and there are two factors which, from my point of view, will tend to shorten it.

Taking up the unfavorable factor first, the fact that Europe, while needing our goods badly, is in no shape to pay for them, cannot be reckoned as otherwise than a handicap. We are now planning a further extension of credits to Europe, in spite of the fact that, as John McHugh showed in our last issue, foreigners already owe us floating debts of about $4,000,-000,000.

If gold could be had to pay off these debts, what a wonderful period of prosperity we should have! It would be more than prosperity—it would be a dangerous inflation; and it is doubtless fortunate for us in the long run that these debts can't be paid in gold.



In the meantime, selling goods on credit is not so good as selling for cash. If the credits are eventually good, selling on credit is a good deal better than not selling at all; but this kind of business will not help much to give us the quick revival we might expect if we could count on a free inflow of gold. But gold in moderate amounts will probably be imported in 1921.

No Big Stocks of Goods

One favorable factor is that in general our merchants and manufacturers are not loaded down with big stocks of goods on hand. They have stocks which have proved temporarily unsalable, but such stocks are only moderate in quantity. Therefore no very long time should be needed in which to move these stocks at lower prices.

In other words, a "buyers' strike" can't last long because people have to eat and wear clothes and consume all sorts of goods in order to live. They can go without many things for a short time, when they believe the things can soon be bought cheaper, but they will soon be forced into the market again by their actual requirements.

If sellers were loaded up with big stocks of goods, those stocks would have to be cleaned up before conditions could show much improvement, and that would take a longer time. But that is not the present situation.

The other favorable factor is illustrated by Graph 4. It seems to me that this graph proves pretty conclusively that there is usually a close relationship between the general price level and the quantity of money in circulation.

Common sense, also, shows us that there must be such a relation. It takes twice as much money to handle a thousand bushels of wheat at $2 a bushel as it takes to handle it at $1 a bushel. Extend that simple example over everything else, all other commodities, merchandise and materials, and you have the reason why higher prices must be accompanied by more money or more bank credit or both.

While higher commodity prices require more money or credit, it is not equally true that more money will bring higher prices, for the money may be lying idle, in which case it will, so long as it remains idle, have no effect on prices. But money doesn't like to lie idle. When it does its owners soon begin to get restive and look around for some way to set it at work.

If the money is not needed in trade, it begins to go into bonds, where it can get

to work and earn interest. Corporations and individuals are quick to scent this condition. They issue securities post haste, in order to get the money for enlarging their business; this enlargement of business means buying materials and paying out wages; the people who receive the wages promptly spend them, thus creating a demand for goods; and the demand for goods soon results in more active general business and rising prices.

So more money does mean higher prices, though not necessarily at once. Its effect on prices must be preceded by what we call "restoration of confidence." After a big price decline everybody becomes discouraged, and it takes a longer or shorter time, according to conditions, for people to get back courage enough to buy more freely.

Now Graph 4 shows that we have more money than ever before; and as everybody knows we also have more business credit outstanding than ever before. Yet prices have declined more precipitately than ever before. The money line and the price line have swung wider apart than ever before, and that is not a condition that is likely to be permanent. Either the quantity of money in circulation will fall or prices will rise, or both.

It would take a big drop in money in circulation to correspond with the fall of prices—a good deal bigger drop than we are likely to see. Undoubtedly as the "frozen" agricultural credits, which have resulted from farmers holding their crops, are gradually thawed out and set moving again, the Federal Banks will be able to draw in some of their outstanding currency notes and the quantity of money outstanding will decrease; but this is going to be a pretty slow process, and it will not pull the money line on this graph down to the price line.

It is quite true that there are many new features in the situation at this time, so that definite predictions are difficult. But I believe that this relation between money (including credit) and prices is fundamental, and that our "sentimental" or "psychological" price decline resulting from the "buyers' strike" has already gone further than is warranted by conditions. It may go still further, and doubtless will do so, especially in the field of retail prices, which as yet have not fallen to the same extent as the wholesale prices shown on the graph. But the decline has reached the point where the underlying and fundamental factors are against it. Beef, copper, cotton, rubber, silk, silver, and many other commodities are below their present cost of production—a condition which cannot last.

I believe, therefore, that the present trough of trade depression will be a narrow one. It would not surprise me to see commodity prices beginning to turn upward by April, and it will surprise me greatly if the movement has not begun by July. And the latter half of 1921 ought to bring good business.

As for the stock market, it will of course anticipate business by several months. The recent reaction in the bond market has not carried prices to the previous low levels of 1920, and the 1921 trend of the bond market will be upward. Stocks also should rise during most of the year, though probably without the accompaniment of unreasonable speculation which was such a pronounced feature of the war markets and of 1919.

Part II—The Railroads Will Soon Emerge From the Long, Dark Tunnel of the Past

By **CHARLES REMINGTON**

ANYONE who has walked through a long, dark tunnel will recall the effect produced as one of the portals is approached. The first intimation that one is nearing an aperture is the distant gleam of light while it is still black around the walker's feet. Looking back, it is darker than night ever gets; the light ahead is not projected into the blackness behind. Nevertheless, one knows from the distant gleam that the opening lies forward.

It seems to me that the railroads are not unlike the pedestrian in the long tunnel. Many attempts have been made to determine whither they are going by observing whence they came, but the method has proven faulty. That the railroads have traversed a long, dark passage, none will deny. Looking back over the past three years, there is little on which to construct a hope. Even the immediate present is dark and the way must be picked carefully, but there is a gleam of light ahead. Skeptics will aver that the glimmer is an optical illusion, but they who possess vision know when they see.

To drop from metaphor to plain expression, the railroads have achieved nothing on which to base a bright outlook. They have had two very bad months under the new rates, and these months—September and October—are normally the best traffic months in the year. October, 1920, was the biggest tonnage month in the history of the roads, for the business depression, which is admittedly here, had not then affected traffic.

It was the theory of the Transportation Act that rates should be adjusted to expenses and taxes so that the roads as a whole or by groups should enjoy a net operating income of 5½% or 6% on their investments, the spread of ½% being discretionary with the Interstate Commerce Commission.

The Commission elected to consider the roads by groups rather than as a whole and for this purpose divided the country into four regions. Taking into account the wage increase, the Commission named different rate increases for the individual groups, but all intended to produce 6% net on the estimated investments in the groups.

There is no doubt that the Commission was sincere in its purpose to create a rate structure that would give the roads the maximum 6% permitted under the law, but the result has fallen far short of the expectations.

RAILROAD OPERATING RESULTS UNDER THE NEW RATES AND WAGES.

	Sept., 1920	Oct., 1920	Two Months
Freight revenue	$437,657,926	$480,839,394	$918,497,320
Passenger revenue	129,438,552	114,044,152	243,482,704
Total oper. revenue	$616,200,796	$642,135,312	$1,258,336,108
Main. of way	95,133,358	90,895,381	186,028,739
Main. of equip.	134,146,605	139,407,467	273,554,072
Transportation exp.	256,013,823	269,122,538	525,136,361
Total oper. exp.	$511,482,960	$526,578,888	$1,038,061,848
Accrued taxes	23,872,270	23,396,626	47,268,896
Operating income	$80,706,532	$92,090,679	$172,857,211
Net operating income	75,310,311	86,455,487	161,765,798
Weighted annual rate on property	4.14%	4.61%	4.37%

September includes 187 Class 1 roads and 14 switching and terminal companies; October, 188 Class 1 roads and 15 switching and terminal companies. Accrued taxes include war taxes.

Two Months' Operations

The aggregate railroad investment was estimated by the Commission at $18,900,000,000, of which $18,000,000,000 represented the investment of Class 1 roads, which are the only ones reporting monthly earnings. Six per cent. on this investment would be $1,080,000,000.

Using the ratio established for all the roads in the test period, net operating income in September was at the annual rate of $745,000,000; in October, $829,000,000; and in the two months, $787,000,000. These three rates compare with $1,080,000,000 which the roads should earn to realize 6% on the property devoted to the service.

At the present rate of disbursements, interest and dividends of the Class 1 roads amount to about $800,000,000 a year. Thus it will be seen that the roads did not earn these requirements in September, nor in the two months. While the items were covered by a narrow margin in October, the margin was too narrow to permit of a continuance of several of the disbursements.

Expressed in another manner, September net was at the annual rate of 4.14% on the property; October net, 4.61%; and two months' net, 4.37%; all compared with 6% which the tariffs were intended to provide.

It has been estimated that the failure of various state commissions to authorize the rate increases on intrastate traffic will

affect railroad revenue, and consequently net operating income, to the extent of $75,000,000 a year. As these matters are likely to be adjusted, it is well, in considering the future, to apply this increase to the results already obtained. On this basis the roads would have earned in the two months at the annual rate of $862,000,000, or 4.80% on the property, and too close to the present interest and dividend requirements.

This is all that can be made out of the figures, if one looks backward.

Effect of Looking Forward

The method employed to determine the percentage of the rate increases was to apply the wage increases to actual results in the year ended October 31, 1919, and deduce therefrom the requirements. There were several faults in the method. In the first place, the roads were undermaintained during this period. Again, locomotive coal in the ten months ended October 31, 1919, was 69 cents a ton less than in the ten months ended October 31, 1920. Moreover, the computations were based on a period of inflation following a great war and made no allowance for the inevitable slump in traffic.

From what is known of the immediate general outlook, it cannot be expected that the railroads will find relief in greater revenues. The volume of traffic cannot be expected to grow during a Winter of readjustment, and it cannot be expected that the Commission will grant another rate increase with wages and commodities in all other lines falling. Such relief as can be expected must be found in greater savings in operation.

That there will be such savings there is not the slightest doubt, but it is difficult to state when they will begin to manifest themselves in the monthly returns. Coal, the largest item of expense next to wages, is usually purchased under contracts as of April 1, and there can obviously be no saving here until new contracts are made. Other materials are usually purchased long in advance of requirements. For instance, the Pennsylvania Railroad has just contracted for 200,000 tons of steel rails for 1921 delivery at $47 a ton. If rails should drop to $42 next spring, it is clear that this company could not benefit from the reduction until well into 1922.

The first and the most important saving is likely to be made in coal, and it is possible to approximate when the results will appear in the income statements. Regardless of when purchases are made, materials appear as expense items when they are used. In the matter of coal the Eastern roads carry smaller and the Western roads larger supplies. Taken as a whole, the roads vary in this respect from 60 to 120 days. Thus, coal purchased in April would appear in the income statements from June to August.

What has been said of coal applies in a more general way to other commodities used by railroads, so that it may be expected the savings in operation resulting from falling prices will begin to manifest themselves in the monthly returns some time during the summer of 1921.

The big saving, of course, would come through a reduction in wages, but when this may be expected is too hazardous even to guess. If wages in other lines fall low enough and the transportation crisis becomes bad enough, there certainly will be agitation in favor of a general railroad wage reduction, but the experience of the past leads to the conclusion that the agitation must be greatly prolonged before definite results can be obtained.

With the prospect of lower costs in the summer of 1921, it may be expected that the railroads with sound financial structures will survive anything that lies ahead in the next few months. It is likely that a few will not be so fortunate, but none who has studied this subject ever believed that the new rates would rejuvenate any of the decrepit carriers.

Part III—The Outlook in Individual Industries

By E. D. KING

The Metals

DURING the first seven months of the year steel prices were advanced to abnormally high levels. The very large demand for steel products taxed the capacity of the plants, and gave the independent manufacturers the opportunity to charge maximum prices. Since September the situation has changed materially. Premiums previously charged by independents have disappeared and independent prices are now generally on a level with Steel Corporation prices. Production has been greatly curtailed with the independents operating on a 30% basis. The declining activity is also felt by the Steel Corporation, which shows some marked declines in unfilled tonnage.

The industry is now practically on a competitive basis, with a smaller outlet for export. The outlook is for a period of continued curtailment of production for the first few months of 1921, marked by extensive wage reductions and other attempts toward economy. Favorable features are that stocks are not large and financial positions of companies are good. Economic conditions rather than a fundamental lack of demand for steel are responsible for present situation, but with this obstacle removed the latter part of 1921 should see the steel industry operating at better capacity.

Practically all the non-ferrous metals are in an extremely depressed state. Within the past year prices have declined about 50% with copper showing a drop of from 20 cents a pound to 13 cents, the current price. Lead and zinc have followed and foreign silver quotations are now 66 cents an ounce as compared with $1.375, the highest price last year. The copper situation is of the greatest interest, but the outlook, on the whole, is unfavorable as a very large surplus, estimated at 600,000,000 pounds, exists. Exports are virtually at a minimum, and as this is the largest potential market, the industry is correspondingly depressed. Curtailment of production has set in vigorously, with the industry occupied at no more than 30% capacity. Present stocks can last for six months at the current rate of demand and no real turn in this industry can be expected until the export situation clears up. The drop in steel consumption likewise affects copper and real improvement will not be in sight until steel activity becomes more pronounced. This will probably not occur, so far as present indications go, until the Spring months at the earliest. The latter part of the year, however, should be much more satisfactory than is the case at present.

Fuel

The coal industry has just emerged from the most prosperous year in its history. Unheard of prices were asked and obtained. The biggest volume of exports on record was one of the features. In October, owing to the change in the industrial and export situation, coal prices commenced to decline. Roughly speaking, soft coal prices are 60% below those of a few months ago, and the industry, consequently, is in a less favorable position. Demand is below supply, and the latter, thanks to high production, is constantly gaining. Competition is increasing and doubtless a drastic period of readjustment has yet to be completed. Lower prices for anthracite are looked for. It is clear that 1921 will not provide the same activity as 1920 and that consequently profits will be smaller. Favorable features are the improvement in labor and transportation conditions. Better business is anticipated with the revival in general business activities but it will not be on the scale of the preceding year. The final result, however, should be greater stability.

The oil industry, generally speaking, is practically the only one that has thus far escaped deflation. As measured by crude oil, prices are still at the peak, although there have been numerous downward revisions in certain refined products, including some minor cuts in gasolene, the principal product. Recent indications are that the situation is one of over-production. Demand is on the decline, this being partly caused by seasonal conditions and the industrial and shipping situation. Undoubtedly the prospect is for lower crude prices. For the smaller companies, confining themselves solely to production, this has an unfavorable meaning. The large refiners, however, should benefit. The general outlook is not quite as good as it was at the beginning of 1920. On the whole, however, the industry probably faces a generally satisfactory period of activity in the coming year.

Agricultural Commodities (Food)

All food commodities have readjusted themselves more closely to pre-war levels. Coffee, in fact, has descended below this level. Sugar has gone through a remarkable period, characterized by excessive

speculation and profiteering. The recent drastic change, however, has brought this commodity down to a level where it can be safely said that prices are nearly stabilized. All sugar interests face a period of very small profits. Owing to the very large stocks on hand, as well as increased European and East Indian production, an important advance in sugar prices is practically out of the question. A comparatively poor year seems to be ahead for American and Cuban interests.

The statistical position of wheat would seem to indicate that much lower prices cannot be anticipated. Prices are now about 30% below the fixed Government price, which obtained during the war. Credit conditions are mainly responsible for the present situation. There is a shortage of wheat in many foreign countries. Extension of credit to these countries permitting them to make necessary purchases will result in some big export movements. As a matter of fact the country is right now being drained of a good share of its surplus. The outlook is for generally higher prices in 1921. Corn is not in so good a position, owing to the tremendous crop. Nevertheless, as it historically trails wheat, somewhat higher prices, here, too can be looked for.

Coffee demand for this year should improve as surplus stocks in this country are small and the general statistical position of coffee is good. The product is selling below the cost of production and this cannot continue indefinitely. The outlook is for higher coffee prices.

Agricultural Commodities and Related Trades

Cotton, wool, silk and the related textile industries commenced 1920 with brilliant prospects but by the end of midsummer liquidation was in full swing. As measured by the respective declines in the raw commodities, deflation is practically completed. The textile industries are still struggling with great difficulties but are endeavoring to get back on a stable basis. Production has been severely reduced and there have been wholesale wage reductions. Although demand is poor, the drastic curtailment of output is such as to indicate the possibility of available stocks becoming exhausted within a few months. The outlook is for gradual improvement before the end of winter, but on a much reduced price basis for all interests, with consequently smaller profits than were obtained during the past year.

Owing to a very large over-production in the East Indies, on top of the declining demand for all manufactured rubber articles, from tires to footwear, the rubber industry has been hard hit. Prices are now lower than they have been for many years. The problem is to work off accumulated stocks, both raw and manufactured. The outlook for the tire industry is inevitably linked up with that of the automobile industry which is unsatisfactory. Nevertheless, existing cars plus replacements which will have to be made, ensure a certain amount of activity once a good share of accumulated stocks are exhausted. This probably cannot happen for some months yet both on account of the winter season and the general poor economic situation. Moderate manufacturing activity is looked for next year, but nothing like that on last year's scale. Crude rubber is selling too low in any case, if the cost of production is considered and renewed buying should easily advance the price of this commodity.

High-grade tobacco prices have held up pretty well, the brunt of liquidation centering on the inferior Kentucky grades, where tobacco leaf is being sold at lower levels than for years. Manufacturing activity is somewhat curtailed, but nothing of any especial significance. Demand for manufactured products is large, although exports have fallen off. Retail prices are not expected to decline much on account of the excessive taxes. The industry has never operated on an inflated basis at all corresponding to some of the others and therefore faces no great readjustment.

Shipping

Owing to the lessened export activity, ocean freight rates have declined almost continuously during the past year. Many ships are idle, and the outlook is decidedly unpromising. The exchange situation gives no sign of marked improvement on account of unsettled world-wide conditions. While this has not worked out against our exports to the extent anticipated, it has nevertheless exerted some influence, with the indications pointing toward increased pressure. Tonnage is considerably in excess of requirements, having been built to meet a high-geared war-time demand. Freight rates are hardly likely to advance under present conditions, and the magnitude of the problems facing those engaged in shipping and export trade, makes it certain that it will be some months before there is any improvement. The probabilities are that shipping will be a relatively poorly-paying industry for the major part of the coming year.

Miscellaneous

Recent increased activity in the raw leather markets indicates that this industry, which was one of the first to feel the effects of deflation, is about to enter a more promising period. Stocks are moving better than for some time, and the anticipated wide price-reductions in January should clear retail shelves to a degree permitting the placing of new orders. Probably the general leather industry will be among the first to improve, as it was among the first to liquidate.

While, for the past few years, domestic and Canadian paper interests have profited exceedingly from the practical monopoly which they enjoyed, the situation is changing. Europe, always a big source, is beginning to export again, competing directly with interests over here. Important consumers have already placed orders abroad, and the outlook is for a competitive era which will probably extend throughout the year with increasing force. Lower prices in all grades are anticipated. Broadly, the industry has yet to feel the effects of the economic situation.

The elimination of war-demand combined with the relatively small building activities in this country have exerted an unfavorable effect on the lumber industry. Prices have been cut in half, and many of the mills have either shut down or are working on a smaller capacity basis. The coming year, however, seems to indicate increased building activity and this, of course, will be reflected in the lumber situation. While, unless speculative holding is permitted, prices are not likely to advance, the large volume of business in sight should result in a profitable year.

The general industrial decline has begun to affect the various chemical industries. They probably face a less active year, not only because of general conditions, but because large volumes of imports are anticipated. The chemical industry over here is, practically speaking, a war product, and it is a question as to how it will fare under normal peace conditions. Obviously, tariff regulations will help, although there is some doubt as to whether this will be permitted on account of the general hostility to high tariffs. As for dyestuffs, which depend to a good extent upon the textile industry, a reduced volume of activity is the prospect for the near future but by spring better business is anticipated which should become more pronounced during the closing months of the year.

Generally speaking, the outlook for the various industries over the winter months is for a period of slack. By that time, however, something approximating greater confidence should appear, with favorable effects on the industrial life of the nation. While some industries have not yet felt the full effect of deflation, the majority have taken a big step in that direction. The prospect is for a period of greater stability in all lines of business, and while profits may not be so large as during the war years, business will be on a better basis and certainly more dependable than is the case at present.

TO CONTROL WHEAT PRICES

According to W. H. McGreevy, secretary, the Wheat Growers' Association of America, which has been conducting a campaign to induce growers to withhold their wheat from the market until prices are higher, plans to have mid-Western States so well organized within the next six months that the growers will be able to control the price paid for the 1921 crop.

The association now has a membership of approximately 100,000 in Texas, Oklahoma, Kansas and Nebraska, according to Mr. McGreevy. The organization will be extended to Minnesota, North Dakota and South Dakota.

The organization was formed about a year and a half ago in Southern Kansas and Northern Oklahoma. According to its promoters, its growth in the first six months was slow, but in the last few months it has been rapid until the membership has spread to every wheat growing county in the four States organized. These States have 220,806 growers, according to Kansas Board of Agriculture statistics. They produced this year 232,955,000 bushels out of the total for United States of 750,648,000 bushels.

The addition of Minnesota, North Dakota and South Dakota would bring the production for the area up to 359,003,000 bushels, or slightly less than one-half of that of the entire United States.

Liberty Bonds on Bargain Basis

Improvement in the Credit Situation, Relief from Money Stringency and Return to Normal Conditions Will Bring Lower Money Rates and Higher Prices for Liberty Bonds

By C. L. JAMES

THAT our Liberty Loan issues have behind them the greatest security in the world is unquestioned, but what the investor is more particularly concerned about is the stabilizing of the selling prices of these bonds so that he can sell his holdings, if necessary, at a price which will not represent a loss on his investment. When Congress convenes in March it is believed that the Republican leaders will advocate some measures for relief in this quarter.

The present prices of the various issues are but little above the low prices of May, 1920, and the yields are most attractive. Although the individual investor has suffered by the depreciation in value of Liberties, it has not been without benefit to the nation as a whole. The purchases by the Government have netted a saving of more than $87,000,000 over what would have been paid had the bonds in question been retired at par. This means that the Government is relieved of raising that amount of funds by taxation, but this has been done at the expense of those who had to take a loss on bonds originally bought at par.

On July 1, 1920, the 2½% cumulative sinking fund came into operation, and each fiscal year, until the debt is discharged, calls for an amount equal to the sum of 2½% of the aggregate amount of such bonds and notes outstanding on July 1, 1920 (less an amount equal to the par amount of any obligations of foreign governments held by the United States on said date), and this sinking fund also includes the interest which would have been payable during the said fiscal year on the total bonds and notes purchased or redeemed through the sinking fund. On this basis the constant appropriation every year for sinking fund purposes is estimated to be over $250,000,000. The present condition contrasts most favorably with November and December of 1919, when the Treasury, through the War Finance Corporation, was obliged to purchase over $300,000,000 par value of Liberty bonds and notes in order to steady to some extent the market for Government securities in the flood of liquidation that accompanied the increases in the Federal Reserve discount rates and generally tightening money market conditions.

Sinking Fund Purchases

From the report of the Secretary of the Treasury it appears that sinking fund purchases from July 1 until November 15, 1920, totaled only a little over $15,000,000. The amount to be purchased for the sinking fund during the fiscal year ending June 30, 1921, according to the report of the Secretary, is $253,400,000. It appears, therefore, that between the 15th of November, 1920, and the 30th of June, 1921, the Government will have to purchase over $238,000,000 of Liberty bonds or Victory notes. It is optional with the Secretary of the Treasury to determine when purchases for the sinking fund should be made, but it is not optional to extend these purchases for the present fiscal year beyond June 30, 1921. The Treasury will, therefore, have to purchase in the last seven months and a half of the fiscal year ending June 30, 1921, over 90% of the entire sinking fund yearly quota.

Repayments by foreign governments on account of the principal of their obligations bought under authority of the various war issuing acts, have also been applied to the purchase and retirement of Liberty bonds.

The United States issued, during and immediately following the war, approximately 24 billions of Liberty Loan and similar bonds; and from the proceeds of the sale of the same, loaned to our Allies over 9½ billions upon demand notes bearing 5% interest. Interest charges amounting to hundreds of millions of dollars have accrued on the American loans to the Allies, but are being carried along and added to the principal, with the approval of Congress, in order to assist the Allies in their work of economic rehabilitation. Of the total amount of these loans outstanding in August, 1920, England owes 44%; France, 31%; Italy, 17%; Belgium, 4%; Russia, 2%; and all other nations, 2%.

The United States is a debt-paying nation, and we are always ready to contract a public debt when necessary, but are, if anything, more zealous in repaying it. This country's text and practice for a century and a quarter, has been the maintenance of a high standard for our national credit and of an unsullied reputation for punctual performances of all public contracts.

Our war loan experience, therefore, is practically co-extensive with the life of the nation, and the ready willingness of our citizens to subscribe for each of the long list of war loans has been the mainstay in preserving our ideals and in perpetuating the fundamental principles of American government. Without the financial support of the people in these various crises, American history, as we know it today, might never have been written. The burdens imposed have been cheerfully assumed and readily discharged in the constant increase of wealth and taxable resources.

While the war in Europe entailed a great sacrifice in men and money, it was not without economic benefit. The tremendous gain in our export trade was largely the result of purchases stimulated by the war and by the extension of large credits to our Allies. In 1914 the excess of our exports over our imports was less than half a billion dollars, while during the succeeding five years this sum increased from $1,094,000,000 in 1915 to the huge total of over four billion of dollars in 1919, or an excess of almost 14 billions for the full five years.

Our Gold Holdings

One result of this unprecedented foreign market has been a marvelous increase in the financial strength of the United States. Through the influx of gold in payment for the commodities supplied by us, we now hold the lion's share of the world's total supply of gold. In addition to the increase in gold, American securities to the total of many millions of dollars have been bought back by us.

The possession of this superabundance of gold places upon us the obligation of employing it intelligently, and from an economic point of view no better method can be devised for its use than as a basis for foreign loans and the extension of foreign trade.

We should not overlook the fact that a vast accumulation of gold is in itself a thing of evil possibility; for, in accordance with all economic traditions, such a situation invariably leads to abnormal credit expansion, inflated prices, and not infrequently to unsound speculation. The consequent disastrous reaction of such developments upon our business fabric as a whole, if allowed to run rampant, would have resulted in widespread depression, and, perhaps, in commercial paralysis and industrial stagnation.

However, by adopting a broad-minded policy and by lending back to our customers a reasonable proportion of the gold received from them, or by extending to them reasonable credits, we shall be able to guarantee the permanence of our trade relations with them, while at the same time averting for ourselves the penalties of overspeculation and over-expansion. Thus a lending policy on our part would not only prove to be a kind of protective insurance, but would really remove us from the debtor-nation class to which we have heretofore belonged and might raise us to be the mightiest among the creditor nations—a class whose commercial prosperity is assured and whose foreign trade relations are most securely established.

The stabilizing of industry, money rates and general conditions should cause the credit of the United States to return to a 3½% or 4% basis, with a consequent appreciation in the selling prices of Liberty bonds. It is stated that many trust companies and life insurance companies are switching some of their high-grade railroad bonds into Liberties; with any further drop in commodity prices and interest rate, and upon the buying of Liberties for the sinking fund this fiscal year, these issues should show a decided improvement.

The Banker's Share in the Immigration Problem

Faith of Foreign-Born in American Financial System Shattered by Bitter Experiences of the Past—What the Banker Can Do to Re-Establish Confidence

By **FRANCES KELLOR**

Formerly Chief Investigator, Bureau of Industries & Immigration, New York State

FOR many years a careless disregard of the immigrant's savings and an indifference to his exploitation have prevailed among American business men, especially among American bankers. They have, with a few exceptions, scarcely raised a protest, and much of the resentment of the immigrant toward Americans is due to the bitterness caused by the immigrant's first financial experiences in America.

This resentment expresses itself in many ways. The immigrant workman, discouraged and resentful because he has lost his savings, sometimes deliberately and again unconsciously decreases his output. The immigrant settler, disappointed in buying a home, and separated from his family because he has lost his savings, drifts from job to job and from town to town, and may eventually return to his native land, thereby steadily increasing labor turnover. The immigrant consumer, having lost much of his self-respect and standing in the eyes of his countrymen because he has lost his savings, lowers his standard of living and thus decreases his purchasing power in the American market. The immigrant investor, deprived of a property stake in America because he has lost his savings, joins the forces of unrest because he has nothing to lose. The immigrant thus exploited, without interest in his job, with no home or property to lose, becomes in time not only the exploiter of his fellow countrymen, but the enemy of America.

America has thus gained a reputation for being an unsafe country for the investment of immigrant savings, a reputation which is capitalized by competitors of the American banker. This reputation is partly responsible for there being in circulation so little of the savings of immigrants—a distinct and vital loss to business expansion.

In a recent report it was stated that the United States, with an estimated population of 106,700,000, has only 12,600,000 saving depositors, of which but 565,000 were Postal Savings Bank depositors; while in Belgium, with a population of 7,571,000, there are 3,063,000 savings bank depositors; in Denmark, with 2,021,000, there are 1,315,000 depositors; in Germany, with 66,715,000, there are 27,206,000 depositors; in Japan, with 56,350,000 population, there are 25,600,000 depositors; in Holland, with 2,692,000, there are 1,262,000 depositors. These foreign countries, with a total population of 171,357,000, had savings bank depositors of 77,000,000. Over 42% of the population were savings bank depositors as against about 11% in the United States.

Undoubtedly the large number of immigrants who hoard their savings, and who are not yet drawn into the American savings bank system, are to a considerable extent responsible for this low percentage.

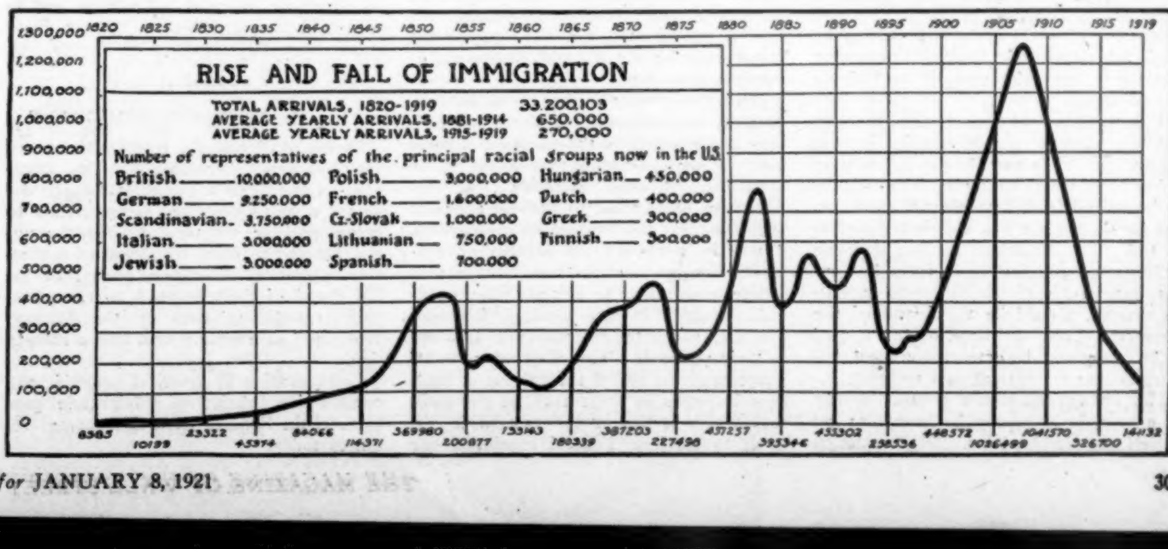
Opportunities for the Banks

The whole relationship of the bank to industry is one of great importance to the immigrant. To take but one illustration—the way in which profit sharing funds and bonuses are paid to workingmen—it has been suggested that instead of paying these directly to the workingmen that they be paid to the bank; that the employee be given a pass-book, and be free to draw or leave the amount, as he sees fit, and that interest rates be increased in proportion to the length of time the deposits remain in the bank.

Careful consideration of such plans will enable the immigrant to come into contact with American banking institutions and give him confidence in them, as he sees his savings earning interest, which will counteract the transmission of such vast sums abroad. Before the war immigrants transmitted more than $400,000,000 a year to those countries from which such information was available. The average savings at present of Italian laborers is said to be about $25 a month and there are at least one million such wage earners in this country. The average for the Greeks is higher, as 90% of them are wage earners. The average transmission of money per year of the immigrant to his family abroad has been found to be approximately $200. One post office from a village in Poland reports that the savings per man averaged $665 per year for each of the 37 men who had emigrated from that village to America. It is stated that 60% of the steamship tickets sold to emigrants are purchased with American wages. The failure, in 1910, of five racial banks in New York State showed that some 80,000 depositors had over $9,000,000 on deposit.

The American banker must take the responsibility for the situation in which the immigrant finds himself, with respect to his savings—unprotected, unwelcome in American banks, lacking in confidence in American banking institutions, besought by racial banks to send his money home, and a prey to every variety of exploiter. The American banker must also take his share of the responsibility for the unrest, the labor turnover, the resentment against assimilation, and the lack of sympathy with American government institutions which have resulted from the immigrant's financial experience in America; for it has been his responsibility to safeguard and make fruitful the savings of immigrants. The American banker must further take the responsibility of integrating the racial banker into the American financial system, having in view the fact that this should be undertaken early in the latter's career, because, should integration be delayed until the racial banker becomes a power in the financial world, he will then be less likely to use his influence to bring his fellow countrymen into closer relation with American life.

There are many movements which indicate that the assimilation of the immigrant, through his savings, is under way. The



more responsible immigrant private bankers, aroused by the complaints of immigrants against exploitation, have under consideration the formation of a clearing house, to protect immigrant savings. A savings bank association is planning an advertising campaign in the foreign language press to acquaint the foreign born with American savings institutions.

In the field of credits, the National Association of Credit Men has sent letters to 33,000 of its members in which it urges them to participate in an educational movement to establish the confidence of foreign-born people in savings institutions.

The Real Needs of the Immigrant

Are not these movements, however, undertaking to reap a harvest in a field in which they have not yet planted the seed? If American interests wish to make sure of this harvest, they must first do the planting and then the cultivating. It is therefore to the American banker that this country looks to do his share of the economic assimilation of immigration through the savings of immigrants; and to accomplish this the immigrant needs to be drawn more fully into the American financial system.

The first task is to educate the immigrant concerning the principles and operations of American financial organizations. This should be very elementary instruction upon the nature of banking institutions, of capital, investments, dividends, stock, partnerships, prices, and how capital goes to work and what it does—things about which the immigrant has known but little in his home country. The immigrant's first information concerning them should come, not in distorted form from propagandists, but in his own language from American authorities.

The immigrant needs encouragement to invest even the smallest part of his savings. The work in the mine and plant is much harder than he thought it would be; the pile of dollars grows more slowly than he had anticipated. As his hopes are deferred, he sees the dreams of his youth slipping away. As he grows older, he is reluctant to confess to those who helped him start life in America that his high hopes have not been realized. Since he has extolled the new country, to which he had gone so confidently and where pride now urges him to brag of success and not to wail over losses, he is too proud to appeal to the friends and relatives in the old country to whom he would have turned in time of sickness or reverses or unemployment, if he had remained there.

It is therefore of considerable moment that his savings should not be lost in speculation. It is part of the justification of his faith, which prompted him to leave his home and friends, to come to America, that he should not lose the first fruits of his toil. The American banker, with his facilities for judging good from bad investments and with his power to capitalize savings, should be the friend of the immigrant from the time of his arrival so he may not become discouraged because he has so little at first to invest.

The immigrant needs credit. When he gets a little money he wants to set himself up in business. His ambition leads him, perhaps, to the humble ownership of a pushcart, of a partnership, of a shop or of a little farm. To whom does he turn for help? Not to the American banker, but to the racial leader, the immigrant bank, or to his consul. To such an extent is this true that one immigrant, when asked who his friends in America were, replied: "The men who loaned me money to start the little business that takes care of me and my wife." It is therefore highly important both to the interests of America and of the immigrant that American credit be extended to such ambitious immigrants, so they will get out of the habit of applying exclusively for help to their own racial economic institutions. The American banker should go further than this. Of his own initiative he should seek a closer contact with the institutions of the immigrant, and should urge American capital to go into the ownership of the racial shop, the immigrant bank, the foreign language publishing business, and the productive enterprises which the foreign born own or operate.

The Banker's Further Obligation

But the American banker has a further obligation. This is to secure the extension and full protection of American banking laws to immigrant savings, whether they be deposited or invested in America or transmitted abroad. A number of attempts have been made to secure such protection through state legislation.

In the absence of state legislation, municipalities have attempted to protect the immigrant. The frauds perpetrated upon him in the sale of securities became so great in Pittsburgh that a Bureau of Securities was created under an ordinance which provided that all persons or corporations offering stocks or bonds for sale should be licensed. The validity of this ordinance was questioned, and the court ruled that the matter was one for the legislature to pass upon, and granted an injunction against its enforcement. This instance illustrates both the prevalence of evils and the difficulty of securing protection.

But the difficulties of securing state legislation have led to efforts to secure Federal legislation. In 1920, a bill was introduced in Congress which provided for the establishment of a Bureau of Export Savings in the Treasury Department. Had it passed, it might have constituted a beginning in the national protection of immigrant savings.

With the greatly increasing amount of business which immigrants are doing with their home countries, the adoption of some form of national protection seems to be inevitable. Should America and the American banker fail to provide adequate protection for the savings of immigrants, it will be necessary for foreign governments, foreign business and foreign protective associations to increase their financial activities in this country, in order that such adequate protection may be given to their nationals. This they are now attempting to do, and if the volume of business increases in the future, at the same rate which it has in the past, it is difficult to see how Federal regulation can be avoided. We have encountered a like necessity before and found a way to deal with the matter, when the enormous increase in immigration necessitated its removal from state control.

Foreign Born Distrust America

The political future of America, no less than that of Europe, is likely to be determined largely by its economic instinct, and America cannot afford to neglect this instinct in its millions of foreign-born people. There are strong racial jealousies inherent in the handling of money which characterize our interracial financial transactions. The immigrant today distrusts the American in money matters, partly because of his exploitation and, partly, because of the poor judgment which Americans have shown in the exercise of injudicious charity; and partly because of the American's tendency to be inexact. We shall not, therefore, integrate the immigrant into American economic life by simply handling his savings—we must find a way to understand his attitude of mind and to secure his interest and co-operation.

What greater service to assimilation, through the savings of immigrants, can the American Bankers' Association render than to establish a division in its organization which shall include all bankers who handle foreign exchange and transmissions of money, or who deal with immigrant peoples of other countries? One of the duties of such a division should be to study this whole field of operation in the United States, with its ramifications abroad; to devise means of preventing exploitation; and to set a high standard of admission to membership. This, more than any other thing, would put into operation the principles of assimilation, namely: the recognition of and the reciprocity and participation by all such bankers, and it would go a long way toward securing identity of interest and unity of action. It would level racial financial walls and would start the merger of the parallel economic systems in the financial field. And what greater service can the great trans-Atlantic steamship lines and express companies render to the immigrants who trust their lives and savings to them than to unite with the American Bankers' Association and with the leaders of finance in the Federal government to re-establish the faith of the foreign-born in American financial institutions, and to command through them a greater confidence from the countries of Europe.

THE "DANGEROUS" IMMIGRANT

General Coleman du Pont, chairman of the Board of Directors of The Interracial Council, in a recent statement, deplored what he described as an attempt to create popular sentiment against the immigrant and to force enactment of restrictive legislation through a revival of the old dread of the alien and an open hostility resembling that of the "Know-Nothings" of a little over a half a century ago.

Consideration of practical, scientific and constructive policies on immigration, says General du Pont, is what this country requires today.

Photo by Brown Bros.

A Representative Type of the Prosperous American Farm in the Middle West

Will Farm Land Values Follow Prices of Farm Products?

While Some Farms Are Being Sold at Reductions, There Is No General Liquidation, and Relatively Few Are Being Offered for Sale

By **H. L. NICOLET, Kansas City**

THE average value of farm land in the United States increased 54 per cent in the four years between 1916 and 1920, according to a comprehensive investigation made early in the year by the United States Department of Agriculture.

The highest average was in Iowa, where good plow land was valued at $257 an acre, and the average of all plow land was $219. Illinois came next with an average of $213 an acre for good plow land, and an average of $170 for all plain land. In Missouri the average was $87; in Kansas, $70; in Nebraska, $125; in Minnesota, $100; in Ohio, $105.

These figures, be it understood, are averages. In all these states exceptional farms have sold for about double these averages. Land in Iowa that could have been bought 40 years ago for $50 an acre sold last summer for $400, and in some cases more. In western Kansas land has sold for $100 an acre, and more, that was obtained within a generation from the government for $1.25 an acre, or $200 for a quarter section. The boom in farm lands during and after the war equalled, if it did not surpass, the great boom in industrial stocks.

With the stock market now experiencing a tremendous slump because of shrinkage in corporation profits, will farm values go through a similar fall?

There is this important difference between the market for farm lands and the stock market: In the latter the short seller can anticipate the slump in prices, hasten its start, and hasten the process of liquidation; in the land market there is no speculation for a fall, and liquidation is a slower and more difficult process.

There was plenty of speculation for a rise. Farm lands were bought for the purpose of re-selling, and some of it on dangerously narrow margins, with small payments down and second or third mortgages to secure the balance of the margin over a normal first mortgage value. Such purchasers, who did not get out before the market for farm lands was shattered by the slump in farm prices, will have to sell for whatever they can get, and such sales will inevitably be made at prices far below the peak of values. Except such sales, however, there is little present indication of farm prices slipping back, though of course there is no present sale for farms at the year's high prices.

Average Farmers' Income Not Over 3%

It is an interesting fact, and one easily explained, that on the average farming does not pay a normal income on the value of the land. There are, of course, farmers of exceptional ability who get enough profit out of their farming to return a normal interest rate on the value of their land and equipment; but on the average, except in the past two years, the net income on a farmer's investment has been only 2 or 3 per cent.

In the market for stocks and bonds such a return would simply mean that the security was valued too high—selling for more than it is worth. But there are other elements than average income that go to make the value of farm land.

The principal one is that 90 per cent or more of the farms are not for sale; they are homesteads to which the owner is endeared, and he would refuse almost any price offered. Another reason is that all land owners are imbued with the idea that farms will go on indefinitely increasing in value—barring the occasional relapses due to business recessions. There is an element of monopoly value in land, now that practically no more cheap government farms are obtainable under the homestead act, and this is an additional factor in keeping the price of farm land so high that crops will not yield a normal rate of interest on the price of the farms.

Opinions differ as to whether the present depression in farming industry will cause an appreciable decline in farm lands. It should cause a tremendous slump if farm prices were made as are the market value of stocks. The farmers this year have produced the largest aggregate grain yield on record; the crop of seven leading cereals totals 300 million bushels more than last year; yet the aggregate value at present prices is 4 billion dollars less for this year's crop than for last year's.

There has been a similar slump in livestock prices and in cotton, and the producers today who are confronted with the necessity of selling their products at such tremendous shrinkages in prices are naturally greatly distressed over the situation. Farmers in the great corn states are getting 35 to 50 cents a bushel for corn, as compared with $1.50 to $2 a bushel last year. They are selling wheat for $1.25 to $1.50 a bushel compared with $2 to $2.50 last year. Many thousands of cattle have been sold in the past two months for less than they cost, the feeder losing all his feed, his labor, the use of his land, and in addition, part of the purchase price of his stock.

"There is probably no other industry or business that could suffer a similar experience and avoid insolvency," declares the Secretary of Agriculture in his annual report, published a few days ago. Undoubtedly his statement is true.

Farm Products Selling Too Low

All the farm authorities will agree that the present prices of farm products are below the average cost of production; in other words the return from the 1920 crops yields nothing for interest on the farmer's investment in land machinery.

But the farmers do not believe that this condition can continue, and for the very good reason that the consuming population of the world is growing more rapidly than that part of the population engaged in producing food products, and fibres; and therefore their confidence in the value of their land is not shaken.

Farm organizations are now engaged in efforts to find some artificial methods of improving the situation. They are demanding legislation against speculation; seeking government aid in financing exportations to Europe; endeavoring to

(Continued on page 352)

Bankers Confident at Opening of New Year

Belief Becoming General That Worst of Trade Slump Is Over — Retail Prices Expected to Give Way Soon

OPTIMISM WARRANTED AT OPENING OF NEW YEAR

The Natl. City Bank of Chicago Finds Many Favorable Factors

"Despite the world-wide readjustment in commodity prices and resultant unsettlement in many quarters, the new year opens under circumstances which justify taking a cautiously optimistic view of the future. The country has cast aside all delusions about the possibility of maintaining war prices in peace times and the Federal Reserve Board has rejected all efforts to secure credits with which to support speculative undertakings or to defer the inevitable restoration of a reasonable price level. Congressional leaders are insisting upon the introduction of important economies to offset in part the sharp decrease in the federal tax collections, which must result from the enormous decline in business profits realized during 1920 as compared with those cleared during the previous year of high prosperity, upon which were based the immense tax collections of the year just closed.

"This is a favorable sign, for the high cost of government is bearing heavily upon the people and must be reduced forthwith. For more than thirty weeks there have been more recessions than advances reported in commodity prices, which in the nature of things must ultimately reduce the cost of living and make it easier for the industrial worker to make both ends meet. The people are getting back to a sane basis of living and while the liquidation means heavy losses in some quarters, the general influence will be highly beneficial to the great mass of American citizens, 95% of whom are 'ordinary' citizens in the best sense of the term."

TIME TO FACE ECONOMIC LAWS NOT TO FIGHT THEM

John S. Drum Urges Bankers to Restore Country's Morale

In a vigorous address before the Bankers Forum, President John S. Drum, of the American Bankers Association, said:

"It is absolutely necessary that this period of deflation and readjustment occur. The thing to consider is not the fact that it has occurred, but the manner of meeting it.

"This is no time for fighting economic laws or, through fear, attempting to avoid them. It is a time for facing our problems, for action and direction.

"Our country today is possessed of all the basic factors that make for great prosperity. We have the accumulated wealth produced by the great foreign trade we have enjoyed for five years. We have an intelligent and courageous people. We have crops unexampled in fruitfulness. All that we need is time—time to work out existing difficulties and to enable the world, by working and saving, to acquire new wealth and new sources of wealth.

"The war broke down the peace morale of the world. That morale must be restored. And we cannot restore it merely by drifting, by letting things take care of themselves. We must work constructively; we must build up. And we must be leaders, first to remove the fears that possess the minds of people and then to point the way that, with patience and courage, will lead to the restoration of normal conditions."

PESSIMISTS OF TODAY IGNORE ECONOMIC FACTS

Judge Gary Reminds Them We Are Still Doing Immense Business

"A real pessimist of today, if a man is one, overlooks the facts and things that make for or against economic success. It should not be overlooked that notwithstanding the depression which it seems fashionable to refer to nowadays we are still doing very substantial business in this country.

"The Steel Corporation is doing a large business. Its daily bookings are larger than the total capacity of the mills when the corporation was first organized, and this notwithstanding there is some, and perhaps considerable profit resulting. There is plenty of money in the United States, although we have loaned more than ten billions to foreign countries and although we have burned up and destroyed during the war perhaps twenty billions, and unfortunately and perhaps without the fault of anyone wasted some billions, enough to increase purchases to the extent of crowding the full capacity of all producers, and those who have the money are willing and anxious to expend it for making extensions or improvements or investments in new enterprises just as soon as selling prices are considered fair and reasonable and stable."

RECENT DEVELOPMENTS PROMISE EASIER MONEY IN 1921

James S. Alexander Convinced Credit Will Be Improved

"Business men are justified in feeling confident that the money situation in the United States in 1921 will be a very different matter from what it has been during 1920. Certain specific factors are clearly recognizable as the chief adverse forces affecting bank credit during the past year, and there is every reason for believing they will not be so powerfully operative in the year to come.

"To illustrate improvement of unfavorable factors in the situation, figures may be cited of 800 banking institutions, reporting weekly to the Federal Reserve Board, with resources estimated at about 40% of the resources of all banks. From January to mid-October these banks showed a decrease of $500,000,000 in the amount of United States securities owned by them and of $380,000,000 in loans secured by government securities, which for all banks would indicate a reduction in war paper holdings of about two billion dollars. There also was a drop of $200,000,000 in loans secured by stocks and bonds, this item representing in considerable part speculative operations. At the same time loans chiefly for manufacturing, commercial and agricultural purposes showed an increase of $1,510,000,000.

"These figures indicate that while there has been marked contraction in the non-liquid and speculative elements of bank credits, there has been a continued expansion in the accommodation extended to meet business needs. This explains why, although to mid-October contraction was not operative in the total volume of credit, better conditions were in sight in the banking situation. It was because there had been this marked improvement in the quality of credit.

"A contraction in commercial credits set in during October. In this month the reduction of the non-liquid elements also maintained a rapid pace. Thus, two elements of betterment were operative, improved liquidity and contraction of the total.

"If the foregoing facts and deductions are of value, it is not because of the light they throw on past events, but because of the promise they hold for the future. They carry the conviction that credit conditions should be more satisfactory during 1921 than they have been during 1920.

"These figures justify business men in expecting our credit resources to function more efficiently in the future than they have in the immediate past to facilitate their business operations, because the four great causes of impaired credit in 1920 should not exert the same influence in the year that lies ahead."

PERIOD OF HARD TIMES BOUND TO PRECEDE RETURN TO NORMAL

F. F. Porter, National Industrial Council Chairman, Sees No Cause for Alarm

"Personally, I am sincerely optimistic over business prospects. I really believe that the farmer, the retailer, the jobber, the manufacturers, and finally the laborer or workingman must take his full quota of the logical consequences due to the unknown, unprecedented and tremendous world calamity. We have passed through the first period of the world-wide plague of economic influenza without any great crisis, which was probably due to artificial stimulation and the real absence of any great industrial change in our American affairs. Now we are in the throes of the reaction, which means a period of hard times, which always occurs between the period of artificial stimulation and the return to normal. It is a physical condition of our economic structure, but has no vital or organic cause.

"As I see the foreign exchange situation it is but the natural consequence in view of the billions of actually destroyed matter and property in Europe and Eng-

land. They are groping around trying to find themselves, and it means a period of struggle for many months, maybe years in some cases. I would think that just as fast as they progress so will their currency enhance along with an increasing amount of credit from this country which will come with growing confidence.

"In fact, as I sum up the whole situation, there is no cause for actual alarm."

PRESENT DEFLATION FORESHADOWS GREAT PROSPERITY

Daniel Guggenheim Calls Most of Our Trouble a State of Mind

In an interview appearing in *The New York Times* Daniel Guggenheim said, in part:

"Those abroad know and appreciate our resources and tremendous advantages much more than we do ourselves. Unfortunately, hundreds of thousands of our people don't stop to think how blest we are. Much of the trouble we are having is merely a condition of mind. If they will make up their minds that depressions, like the one we are now going through, rarely last long in this country, this tremendous deflation, now taking place, is the thing that is going to bring into our country great prosperity.

"Copper metal is suffering at present from overproduction in the past. If the copper producers should tie up for a year all surplus stock which they now have, the present production of copper would not be sufficient to take care of current requirements.

"But the purchaser of copper is frightened because of the surplus stock which is on hand, and he is buying only for his immediate necessities, although he knows that at the present price of copper, 90% of it, if not more, is selling below the cost of production. If he doesn't know, he should know, and finally will know, that this surplus stock will not be sold until the price is much higher. This surplus can easily be held by the producer. If he has not the means to do that, he can always borrow money on a metal like copper, which is an excellent security, does not go out of style, does not deteriorate, no matter how long held, can be stored without a roof over it, can only with difficulty be stolen and can be carried for a year at from three-quarters of a cent to 1 cent a pound. Therefore this surplus stock will not be sold until demand arises for it."

FACTORS WORKING TO STRENGTHEN BUILDING SITUATION

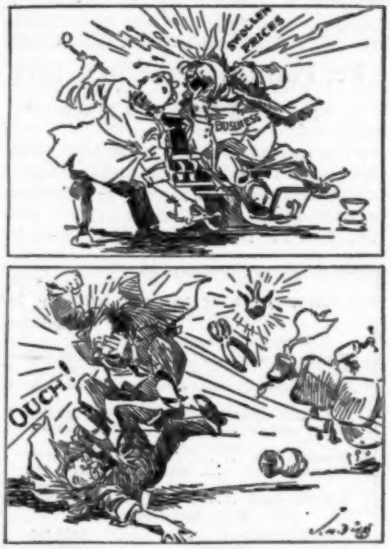
S. W. Straus Expects Renewal of Construction Next Spring

"The closing days of the year find activity in the building situation at a low ebb, and the general housing shortage is no less alarming than it was a year ago.

"The period has witnessed progress toward stabilization, and, with the coming of more seasonable weather in the Spring, the long awaited activities may be inaugurated, which will in the course of time, it is hoped, restore normal housing conditions.

"Labor and transportation conditions are improving. These are factors of great potential significance in an analysis of building tendencies. With their continued improvement will come a more stabilized market for materials which will exert an encouraging influence upon capital.

"The well defined sentiment against a too high interest rate for first mortgages on improved real estate which now is making itself felt will prove a very helpful factor. As is the case in all other lines of industry, efforts to attract capital at exorbitant rates of interest must be viewed with distrust. Abnormally high interest rates paid by any corporation necessarily tends not only to weaken the financial structure but to encourage practices of profiteering. Conditions of this kind would if continued exert a harmful influence on the building industry.



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Next Time Let's Insist on An Anaesthetic!

"While adverse tendencies may inject themselves temporarily here and there, the general situation is becoming stabilized, and this will become more pronounced as all interests show a greater willingness to be fair and just in their practices, and as the spirit of harmony grows and the principles of thrift and efficiency are more generally applied."

RECOVERY IN FARM PRODUCTS WOULD HELP SITUATION

Archer Wall Douglas Believes Spring Will Bring Better Times

Writing in *The Nation's Business*, the organ of the U. S. Chamber of Commerce, Archer Wall Douglas, Chairman of the Committee on Statistics, said:

"Apparently, we are near the bottom of the depression or will be in the next 30 days. Advances of any moment in the prices of agricultural products will materially change the situation for the better and reductions in prices of commodities are likely to cause increased business on part of consumers in all industrial sections.

"From the unfounded fears of last Spring of bread lines and shortage of food we are awakened to the startling realization of a harvest so great we cannot at once find an adequate market for our surplus products. So, there ensues that inexorable law of supply and demand which decrees that overproduction is always accompanied by falling prices.

"Business is better in the grain and livestock states than in the cotton belts. Farmers are selling only when forced to do so. Banks are loaned up and are chary about further credit to farmers and merchants, consequently, both classes are buying only what necessity demands. This means lessened business, rigid economy, close collections and return to cash basis. There has been very little liquidation. The general attitude is one of waiting for farm products and manufactured products to come to a relative level. An embarrassment of riches is caused by an enormous and incredible amount of newly created wealth in the form of agricultural products which cannot be turned into liquid capital.

"The country is rich in every product, crops, live stock, teams and farm equipment, but no money and the banks are loaned to limit. The natural laws of supply and demand will ultimately work out the situation and no remedies or plans to bridge over the emergency can obscure this fact.

"General belief inclines to a dull Winter though there is a scattered belief of improvement after the first of the year. The coming of Spring is hoped and believed to be the harbinger of a change to better times and to more distinct progress."

MOTOR INDUSTRY ON EVE OF ITS GREATEST EXPANSION

President Easton, of Packard Co., Says Present Foreign Market Is "Stupendous"

"The present readjustment in the automotive industry will be found, when the dust has settled, to have prepared the industry to meet an expansion that is likely once more to make all past predictions seem conservative. Such has been the case in each of the previous readjustment periods in the industry and such will undoubtedly be the case in this. A year ago the factors of this coming expansion were only beginning to appear. Today, in spite of some pessimism, they are much clearer.

"The fact is that America does not yet realize the value of the automobile. This may seem a startling statement when we reflect that there are nearly 8,000,000 cars in use, but it is no less the truth. The car at first was a luxury used largely for pleasure. In the last five years, it has taken its place as an economic factor of the first importance and has become available to people of far smaller means than would have seemed possible even in 1915. It has become a part of the standard equipment of hundreds of thousands of salesmen, doctors and others whose work takes them from place to place, but it is only beginning to be appreciated in certain services which will almost certainly equal any that it has yet rendered.

"Beyond this stands the fact that the foreign market for American cars is only beginning to be developed. No foreign car can compete with the American product in dollar for dollar value and the industry is, even now, finding a market of stupendous size across the ocean."

Railroads

Bonds and Stocks

New York, Chicago & St. Louis Railroad
Pere Marquette Railway
St. Louis Southwestern Railway

Southern Railway
Western Pacific Railroad

Income of the Chief Independent Roads in 1920

Five Companies That Rejected Six Months' Guaranty Obtained Quite Divergent Results—Market Position of the Securities

By **EDWARD GILMAN**

IN order that the railroads might have an opportunity to restore their properties and to provide time for consideration of a rate increase, the Transportation Act guaranteed to the carriers that filed notices of acceptance one-half of a year's standard return or contract rental, as the case might be, covering the six months from March 1 to September 1.

While the assenting roads were operated by their own officials and, in a sense, for company account, the terms of the guaranty provided that they could recover after September 1 any deficiency between net operating income and the amount of the guaranty. In case an excess existed, assenting roads were required to turn over the sum to the Government. As a matter of fact, there were few excesses and many deficiencies.

When the companies undertook to collect the balances due them under the terms of the guaranties, the Treasury Department held that it could make no payments on account of balances until a final settlement or agreement had been reached. As the accounts involved many questions of deferred maintenance, requiring months for adjustment, the Treasury's ruling has occasioned many of the roads great embarrassment, especially as most of them were returned to their owners without sufficient working capital.

About fifteen roads elected to reject the Government guaranty and operate independently of Federal aid from March 1, but most of them were subsidiaries or small lines, and there is little or no public interest in any of them except the five that are made the subject of this article. Three of the five will profit directly by their action and two will not, but all of them have profited indirectly. In connection with these companies, no question can arise concerning maintenance during the six months' period, and no balances are due on account of operations in this period. All that could be required of them would be to refund half the excess over 6% earned on their investments, and none of them will fall into this class, with the possible exception of St. Louis Southwestern.

Estimated 1920 Incomes

The 1920 incomes, in part estimated, are compiled on the same basis for the five companies. The first two months are covered by accrued rental, and some explanation is necessary in this connection. Pere Marquette is the only one that has signed a contract, and the item will be subject to adjustment in the other cases, but it is two months' ratio of the figure used by the companies in their income statements for 1918 and 1919. In the case of Western Pacific, the item is certain to be increased, but how much is uncertain. The company's standard return was $1,900,350, and two months' proportion of this sum was used, but the Railroad Administration has offered the company $2,300,000. This amount was declined and the case carried to the Board of Referees. If this body renders a decision similar to that made in the case of Chicago & Eastern Illinois, Western Pacific's rental would be raised to more than $3,000,000, and the amount applicable to January and February would be $500,000, instead of $316,725.

ESTIMATES OF 1920 INCOME OF INDEPENDENT ROADS

New York, Chicago & St. Louis	
Rental (2 mos)	$369,809
Net op. inc. (8 mos)	3,368,354
Net op. inc. (2 mos. est.)	429,040
Net from operation	$4,167,203
Other income	120,000
Gross income	$4,287,203
Charges	1,750,000
Net for stock	$2,537,203
Pere Marquette	
Rental (2 mos)	$624,699
Net op. inc. (8 mos)	722,601
Net op. inc. (2 mos, est.)	971,800
Net from operation	$2,319,100
Other income	120,000
Gross income	$2,439,100
Charges	1,850,000
Net for stock	$589,100
St. Louis Southwestern	
Rental (2 mos)	651,819
Net op. inc. (8 mos)	3,491,621
Net op. inc. (2 mos, est.)	1,043,190
Net from operation	$5,186,630
Other income	380,000
Gross income	$5,566,630
Charges	2,750,000
Net for pfd.	$2,816,630
Pfd. div.	995,000
Net for common	$1,821,630
Southern Railway	
Rental (2 mos)	$3,108,982
Net op. inc. (8 mos)	11,186,826
Net op. inc. (2 mos, est.)	2,162,500
Net from operation	$16,458,308
Other inc.	2,225,000
Gross income	$18,683,308
Charges	14,825,000
Net for pfd.	$3,858,308
Pfd. div.	3,000,000
Net for common	$858,308
Western Pacific	
Rental (2 mos)	$316,725
Net op. inc. (8 mos)	2,882,179
Net op. inc. (2 mos, est.)	692,000
Net from operation	$3,890,904
Other income	465,000
Gross income	$4,355,904
Charges	1,275,000
Net for pfd.	$3,080,904
Pfd. div.	1,650,000
Net for common	$1,430,904

In the cases of all five companies, the income for the eight months from March 1 to October 31 is the actual net from operations which the companies received. From March 1 to April 30, the roads operated under the old rates and the old wages, during the next four months under the old rates and the higher wages, and during the next two months they operated under conditions as they still exist.

The fact that these companies, with the exception of Pere Marquette, which encountered unforeseen difficulties, could save anything in the four months when they were operating under the old rates and the new wages speaks quite well for them.

During the eight months ended October 31, Nickel Plate, Cotton Belt and Western Pacific earned more than the equivalent of rental, while Pere Marquette and Southern Railway earned less, the first a great deal less, and the second slightly less. These companies, however, make quite dissimilar showings if considered only for September and October, when the higher rates were in effect. Pere Marquette, St. Louis Southwestern and Western Pacific appear to be pointed up hill, while New York, Chicago & St. Louis and Southern Railway seem to be headed in the other direction.

Last Two Months Estimated

Net operating income for November and December is based on the same item in September and October, as similar rate and wage levels prevailed in all four months. Proper allowance was made for seasonal fluctuations of traffic. One example will suffice: New York, Chicago &

(*Continued on page* 317)

St. Louis Southwestern
Peoria & Eastern
Cleveland, Cincinnati, Chicago & St. Louis

Denver & Rio Grande
Colorado & Southern
Kansas City, Fort Scott & Memphis

The Position of Eight Investment Bonds

Forced Liquidation Responsible for Price Declines—What the Companies Are Earning—The Time to Buy Outright

By **DANA HYDE**

EIGHT railroad bonds, which I recommended in the issue of September 4, still deserve to rank as second-grade investments, in spite of all the painful surprises contained in the earnings statements of other roads for September and October. In view of the numerous eminent authorities who have gone wrong in the last few weeks, it would be highly immodest to claim that foresight had any part in the eight selections. Admitting, therefore, that the recommendations were the result of good luck, the fact remains that the companies issuing these bonds are still earning their interest charges by exceptionally large margins.

In order that the position of the publication on the subject of railroad securities in general may be reaffirmed, the first two paragraphs of the article of September 4 are quoted:

"Whatever one may think about the effect of the tariff increases on railroad stocks in general—and THE MAGAZINE OF WALL STREET has not been among the enthusiasts who believed that the new rate level would straightway put Erie common on an investment basis—there is no doubt that they do impart to most railroad bonds a degree of security these issues have not enjoyed in years. There is hardly a shadow of doubt that they impart to the eight issues herein enumerated all the security that the average investor requires.

"Those who have recently viewed with favor the low-priced railroad stocks should bear one thing in mind, namely: it is hardly possible for these stocks to register and sustain a marked advance until such bonds as are described in this article have shown a conspicuous improvement."

Most railroad bonds made their record 1920 lows in February or May, and many of them dragged very close to the bottom during the early summer. As the railroad situation began to clear up, a general advance occurred with the result that practically all active bonds made their 1920 highs in October.

The general improvement in prices was partly the result of investment buying, but very largely the result of speculative buying and accumulations by small dealers on margin. The latter form of buying particularly resulted in a weak technical position for second-grade railroad bonds.

Disappointing Earnings

Holders of railroad securities were told to disregard September earnings and most of them doubtless did, but the action of the railroad bond market indicates that a few of them did not. While the beginning of the decline was delayed for some time after the September earnings became available late in October, it took place some time before the October figures were available late in November.

Two factors have operated to depress prices: first, the disappointing earnings, and, second, the necessity of raising money. From the fact that most buyers of second-grade railroad bonds were indiscriminate in their purchases, it follows that most of the sellers have been indiscriminate in their sales.

At the time of the advance, hopelessly weak issues did rather better marketwise than stronger securities. The junior bonds of Erie anl Seaboard Air Line, for instance, registered about the highest ratio of advance in the list. Since the decline set in, it has been impossible to trace any connection between the position of the railroad and the extent of the drop.

The table of bonds is the same as that used in the article of September 4, and in the same order, only the prices and yields having been brought up to date. Only five systems are represented by the eight issues. There are two issues of Cotton Belt, Peoria & Eastern is a subsidiary of Big Four and Rio Grande Western a subsidiary of Denver & Rio Grande, now controlled by Western Pacific.

Recent Progress of Roads

Among the five roads, there is not one that has been a disappointment in the matter of earnings. **St. Louis Southwestern,** which was one of the roads to reject the Government guaranty, has made a remarkably good showing. In spite of the fact that it operated for six months under the old rates, the company will earn this year close to $10 a share on the common, after allowing for $5 on the preferred now unpaid. On the basis of September and October, during which the high rates prevailed, it earned at the annual rate of about $18 a share on the common.—vol. 27, p. 239.

Cleveland, Cincinnati, Chicago & St. Louis, which is controlled by New York Central, has reported very satisfactory earnings, although it operates in a highly industrialized territory that has felt the business depression badly. The official valuation of this property has been made by the Interstate Commerce Commission and shows a large excess over the claims of the company. As far as property investment is concerned, the margin of safety for all the company's bonds is ample. Peoria & Eastern has never been a large earner, but it has a large investment in ratio to its debt, and the interest on the first consolidated 4s is guaranteed by Big Four.—vol. 27, p. 20.

The earnings of **Denver & Rio Grande,** which is just about to emerge from a long receivership, have been one of the happy surprises in the railroad situation. Out of a gross of a little more than $4,000,000 in each of September and October, the company saved more than $1,000,000 for net operating income. With the discontinuance of the use of oil for fuel in the Northwest, it should do even better, for it is a large coal carrier. On the basis of the two months under the new rates, the road earned at the rate of more than double its interest requirements after the proposed reorganization, which does not disturb either of the issues recommended herein.—vol. 27, p. 88.

St. Louis-San Francisco System, which is responsible for the interest on the Kansas City, Fort Scott & Memphis 4s, has made an exceptionally good earning record for three years, and under the new rates is earning on an annual basis about $7 on the common, after allowing for several charges junior to interest on these subsidiary bonds—Vol. 27, p. 239.

PRICE DECLINES THIS YEAR IN EIGHT INVESTMENT BONDS

Bond	Years to Maturity	1920 Range High	1920 Range Low	Present Price	Present Yield
St. Louis Southwestern cons 4s	11½	67½	48⅝	59⅝	10.00%
Peoria & Eastern 1st 4s	19	67	47	55	9.00
St. Louis Southwestern term 5s	31	67½	49	60	8.75
Rio Grande Western col 4s	28½	56	48	49½	8.90
Denver & Rio Grande cons 4½s	15	72⅞	62⅞	65	8.70
C. C. C. & St. L. deb 4½s	10	80	69	75	8.80
K. C., Fort Scott & Mem. 4s	16	70	58	62	8.85
Colorado & Southern 4½s	14½	79	66¼	69½	8.10

Colorado & Southern System, which is controlled by Burlington, began operations under the new rates on the basis of about $12 a share on the common. The company at present is paying dividends on two classes of preferred stock.—Vol. 27, p. 91.

I believe that any of the bonds in the table are reasonably secure and rank near the head of investments in their class. At the market, they have had declines ranging from five to twelve points, and a few of them are selling only slightly above the low points of the year. In addition to their investment qualities, bought outright, they should show over the next year very substantial profits.—Peo. & Eastern vol. 26, p. 607.

Gulf, Mobile & Northern Railroad

Gulf Mobile's Strong Position Not Reflected in Recent Earnings

Exceptionally Large Maintenance Allowances Responsible for Apparently Weak Showing—Only Very Strong Company Could Have Made Such Liberal Charges

By DANIEL CUSHING

ON the face of its returns for the past ten months ended October 31, Gulf, Mobile & Northern has been making a very weak showing. If one examined nothing except operating revenues and net operating deficits, he would be forced to the conclusion that the sooner the management obtained the consent of the Interstate Commerce Commission to scrap the property the better for the stockholders. Even such a course would retire the preferred stock at more than its market price. A detailed analysis of the monthly returns, however, proves conclusively that the situation is far from being so dire as it appears on its face.

In order that the changing position of the company in recent months may be understood, it is well to note the relationship to the Government of all the carriers since January 1, 1920. For the first two months of this year the roads were operated by Federal managers for the account of the Railroad Administration. During the next two months—March and April—the roads were operated by their own officers under the old rates and the old wages with the benefit of a guaranty equal to standard return. During the following four months—May to August, inclusive—the properties were similarly operated under the old rates but under the new wages.

Monthly statements do not properly reflect the change, because the wage increase was retroactive and the increase was paid as the roads could obtain the money from the Government, the payments falling in different months in the case of different carriers. Taking, however, the guaranty period as a whole, all the roads had six months' operations under the old rates, during four months of which the higher wages prevailed. During September and October, the roads were operated by their own officers, for their own accounts and under the high rates and the high wages.

During the period of Federal control, all the carriers suffered from deferred maintenance. This is denied by the representatives of the Government, who figure maintenance in financial units, properly equated for higher costs and higher wages, but this method takes no account of the inefficiency of labor and bureaucratic practices. If the computations be made in physical units, it appears beyond doubt that maintenance was neglected to the extent of several hundred million dollars.

High Maintenance Allowances

Even before the properties were returned on March 1, the operating officials, in the knowledge that the roads soon would be turned back to their owners, began to extinguish deferred maintenance, with the result that these allowances have run very high for the carriers as a whole ever since the beginning of the year. But Gulf, Mobile & Northern differs in this respect: it carried the practice very much farther than any other company. Indeed, only a company without any fixed charges could have been so liberal in this respect. Otherwise, it would have soon been in the hands of a receiver.

In normal times 30% of gross revenue is a fair allowance for maintenance of way and equipment combined. Roads in bad condition must spend more and those in good condition may safely spend less. **For the reasons already explained, the Class 1 roads of this country, representing 235,539 miles, devoted 44% of gross to maintenance. In the same period, Gulf, Mobile & Northern devoted 66% of gross to maintenance.**

In the month of September, when the roads began to operate independently of the guaranty, all of them cut their maintenance allowances. The Class 1 roads devoted 37% of gross to maintenance, and Gulf, Mobile & Northern 44%. Had all the roads been as liberal as Gulf, they would have had very little net operating income and far from enough to cover their fixed charges.

By reference to the table, it will be seen that Gulf, Mobile & Northern devoted 70% of gross to maintenance during the first eight months of the year while the Government was absorbing the deficits, 43½% in the next two months when the road was running for company account, and 62% for the entire ten months to October 31.

In July, it will be noticed, maintenance was 102% of gross and in August 135%. In other words, during these two months the company spent on maintenance, to say nothing of transportation and other expenses, more than it took in. In August the company spent on maintenance of way alone nearly as much as it received in revenues.

Latitude of Maintenance

Without going into too many technical details, it may be pointed out that a great deal of latitude is allowed under the head of maintenance, and a great deal of actual improvement or betterment may be covered under this item. From the financial statements, it is impossible to say in any given case just what has taken place of a physical nature. It can be accepted as a certainty, however, that Gulf, Mobile & Northern, after spending 62% of gross for maintenance in a period of ten months, is in much better physical condition than it was on January 1, 1920.

It is not my intention to suggest that there was any impropriety in the practice of the company. It had no charges, the property was not in good physical condition and there is no reason why the total of net income should not have been spent in improving the road and equipment. The point I wish to make is that the company can demonstrate an earning power as applied to its stocks whenever it gets ready to do so.

No end would be served by applying a hypothesis to the eight months prior to September, because the rates were inadequate during that period; but if it be assumed that the company appropriated only a normal sum for maintenance in September and October, the results are very different from those shown in the table.

Gross for the two months ended October 31 was $881,431, of which about 43½% was devoted to maintenance. Had the normal allowance of 30% been made, the difference would have amounted to $118,993, and instead of a net operating deficit of $20,595, the company would have had a net operating income of $98,398. This would be at the annual rate of about $480,000, or more than $4 a share on the preferred stock.

GULF, MOBILE & NORTHERN RAILROAD
Comparison Between Maintenance, Revenue and Income

Month 1920	Gross	Maintenance of Way	Maintenance of Equipment	Total Maintenance	%		Net Operating Income
Jan.	$327,688	$80,887	$66,705	$147,598	45		$18,887
Feb.	255,662	106,677	69,326	176,003	69	def.	84,956
March	303,064	69,746	68,102	137,848	45		10,048
April	305,766	76,540	64,802	141,342	46		6,115
May	313,012	81,387	65,769	147,156	47	def.	47,151
June	301,458	134,392	80,157	214,549	70	def.	89,620
July	274,733	182,106	97,239	279,345	102	def.	179,965
August	313,355	300,596	122,451	423,047	135	def.	294,243
Eight months	$2,394,790	$1,032,337	$634,555	$1,666,892	70	def.	$768,246
Sept.	420,356	88,264	95,344	183,603	44		4,578
Oct.	461,075	102,795	96,950	199,745	43	def.	25,173
Ten months	$3,276,222	$1,223,397	$826,850	$2,050,247	62	def.	$788,840

This is sufficient to show that Gulf, Mobile & Northern, once deferred maintenance is fully extinguished, will be in a position to earn a substantial sum on its preferred stock, even under the 25% freight rate increase, which has proven inadequate for the roads as a whole in Southern territory.

Industrials

Bonds and Stocks

Hupp Motor Car Corp'n
Chandler Motor Car Co.

International Motor Truck Corp'n

Bargains in the Motor Group

Hupp, Chandler and International Motor Truck Look Very Attractive—Exaggerated Views of the Motor Situation

By **PERRY A. EMERSON**

THE automobile manufacturing industry, and all allied industries, are going to the demnition bowwows. Buying of automobiles by the general public for pleasure purposes was nothing but a craze—just like the ouija board fever and the old-time euchre parties. Now the novelty has worn off, and public buying is certain to diminish, terminating eventually in no buying at all, except by a few people who have the speed mania in their blood. The use of automobiles by salesmen, by retail dealers as delivery carts, by wholesalers for a thousand and one purposes, was never really a matter of business, with speed and economy in mind, but just a sort of peculiar frenzy which could not last long. Positively they will all go back to the old days of horse-drawn vehicles, and in the process try to make up for the delirium which led them to change to motor-drawn vehicles in the first place.

None of the foregoing is true, of course; but a lot of would-be mourners—with heavy short contracts outstanding, perhaps?—are going up and down the land talking such rot. And if you want to explain the recent wholesale collapse in automobile security values, you're got to take their arguments into consideration, no matter how spurious they may be.

Some Reason for the Declines

Nobody with his feet on the ground and his mind in touch with the things actually going on about him would assert, for a minute, that the decline in the motor stocks has been entirely unjustified. The picture is still too vivid of a recent receivership, of another "unavoidable financial readjustment," not to speak of recently published statements showing rather large inventories, which must, almost certainly, have been acquired at very much above prevailing price levels. The trouble with the arguments of professional bears lies in their referring to such events as *indices of the future of the industry*. They would have us believe that, because the automobile companies have suffered in the recent industrial reaction, they must continue to suffer world without end, and have lost all hope of ever re-establishing their erstwhile prestige and prosperity. Worse than that, the bears make the fatal error of referring to the passenger automobile as an out-and-out luxury, when, as a matter of irrefutable logic, it must be ranked as only slightly less of a necessity in our present civilization than street cars and express trains.

As a final point of question in the current disbelief in motor securities, it may fairly be asked what justification there is for judging an industry by the success or failure of the stock market transactions of prominent persons in that industry. There's no need mincing words about the General Motors affair now. Mr. Durant's personal stockholdings, thrown on the market as a matter of necessity, were not sacrificed because he wanted to get out. If he overextended himself—and we can only assume that that was the trouble—it is not to be concluded that he jeopardized the business of making motor cars in the bargain. If General Motors stock, after having brought original stockholders many thousands of dollars per share, dropped to the poorhouse level of around $13, it is no investment basis for getting out of all other motor stocks and refusing to get back in.

Our "Saturated" Motor Industry

"THE so-called 'saturation' of the automobile market is far distant," says a recent statement issued by the Liberty National Bank of New York. "With less than 900,000 trucks in service, and with only 8,000,000 motor cars in all for a population of above 105,000,000 people, there is no reason to suppose—especially in view of the industrial possibilities of motor trucks—that the automotive needs of the United States have been met or even approximated. And beside the domestic demand there is the export field to be supplied. In 1919 this field absorbed 35,000,000 worth of trucks, and $73,000,000 worth of passenger cars, with which there were shipped $42,500,000 worth of parts."

When the record of last year's stock market transactions is written, the chief point of interest will be the great decline in industrial securities, and above all, the motor stocks. When the history of the new year's market comes to be written, probably one of the chief points of interest will be the recovery in many of these securities to levels more nearly approximating their true worth. The last half of 1920 was a bear speculator's paradise. The law of compensation alone should reward the investors in 1921.

If they act as investors should act, confining their buying to the motor companies which are weathering the current storm and which the facts indicate are going to build back up again when the skies clear, they may reap a harvest.

Hupp Motors a Prominent Success

In the whole list of motor securities, it would be difficult to find a stock whose recent market decline was less a reflection of actual or prospective conditions than Hupp Motors. Frequent reference has been made to this security in these columns. It seems that a more extended analysis of the company may be desirable.

The original Hupp Motor Co. did not enjoy any very large volume of sales, nor was it operated at a profit. However, the car the company turned out was built to last—there are a good many of them still in active use—and, perhaps, the reputation the old company made for itself with its "quality product" has had something to do with its steadily increasing sales and profits in recent years.

Production has shown a very normal and steady growth, amounting in the year to June 30, 1920, to almost twice its production in 1915. As compared with the previous year's output, the 1920 figures showed an increase of about 19%. Production for the first three months of the current year is reliably reported to have averaged about 2,100 cars a month, or better than the average in 1919 by almost 600 cars a month.

No real conclusions can be drawn from the earnings record of the company up to June 30, 1919. For the year 1918, the company reported very substantial earnings on its shares, but in 1919 earnings decreased about 35%, due to the fact that the report for the fiscal year did not reflect an increase of $200 per car ordered in the latter part of the year. As most automobile companies increase the price of their cars after June 30, 1919, and report for the calendar year, the comparison of Hupp's 1919 year with that of other companies is not accurate.

A good indication of what the company could do with the price of its car in keeping with the increased cost of production is shown by the 1920 net earn-

ings, which amounted to over $2,668,299, an increase of 440% over 1919, or better than $5 per share on the outstanding common stock.

Earnings in the Current Year

In the first quarter of the current fiscal year, Hupp Motor earned over $1,500,000 on its capital stock, a new high and one which is all the more impressive in view of its having occurred in a period when most of the motor companies were showing unmistakable signs of a slackening in the industry. Business fell off heavily in October, resulting in a loss for the month of around $119,000—and it is quite possible that another deficit of over $100,000 was suffered in November.

Assuming the latter conjecture to be fact, then Hupp's net earnings for the first five months of operations must have approximated $1,280,000, or over $2.40 a share on the common stock, which would be just about half the total earnings for the fiscal year 1919-1920.

You can assume that the company's operations for the remainder of the year will only approximate 50% of normal, and still the company would be able to show earnings for the entire year of very close to the $5 a share reported in 1920.

From the dry standpoint of "financial position," Hupp Motors is to be envied. The company's balance sheet, as of October 31, 1920, showed plant and property valued at $3,997,646, an increase of about $1,390,000 over the same item in 1919. The increase was due to the addition of two wings of a reinforced concrete building at Detroit, as well as to construction under way on the main building. The new construction will give the company 375,000 square feet of additional manufacturing floor space.

Net current assets stood at $5,200,000, or $10 a share on the common stock. Cash amounted to over $700,000. Net tangible assets, exclusive of good-will, amounted to over $12 per share of common stock.

At this writing Hupp Motors common is selling around $10 a share. Earnings, then, are running at a rate of close to 50% on the market price; and the current dividend rate of $1 a share produces a yield of 10%.

Stock Appears Cheap

The change for the better in the motor industry may not come immediately, but when it does the stocks of such companies as Hupp Motors are likely to enhance considerably in market value. Close students of the motor industry go so far as to predict a not-far-distant recovery which will carry the issue much above its present level. Certainly, under present conditions no industrial common stock can be conservatively recommended as a good investment for widows and orphans; but for business men and people with ample funds to back up their judgment, it would be difficult to find a more promising semi-speculative opportunity than Hupp.—vol. 24, p. 840.

CHANDLER MOTOR CAR CO.

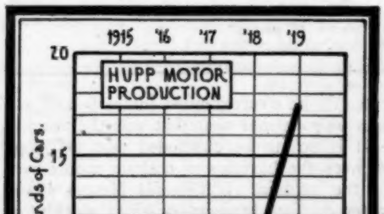
In THE MAGAZINE OF WALL STREET issue of September 4, 1920, an exhaustive analysis of Chandler Motor Car Co. was printed. At the conclusion of the article, the author stated:

"Over a period of years, Chandler may be subject to more severe competition and possibly decreasing demand, so that caution should be exercised in buying the stock. It does not seem to be well supported at its present prices of about 83, and intending purchasers may be able to pick it up at lower levels."

A lot can happen in four months. What happened to Chandler was a reaction of over 20 points in the stock to a price, at the present writing, of around $63. At this level, the issue seems to be far more conservatively valued, and it is a fair guess that the possibility of severe competition has been pretty well discounted.

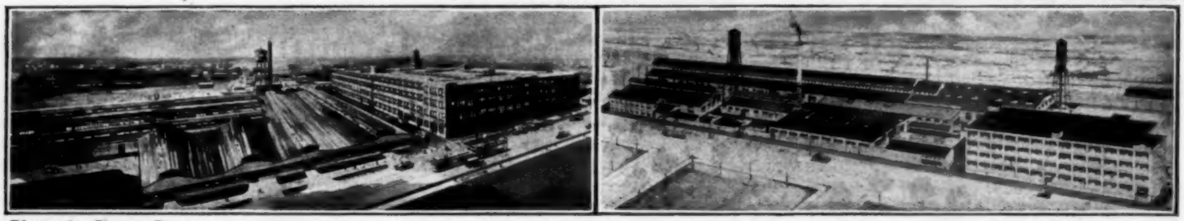
Chandler Motors has enjoyed a very prosperous and rapid growth since 1914. Production of cars, expressed in round numbers, started in 1914 at 1,800 machines, and in the five successive years rose to 18,000 cars. The production in 1920 is estimated at between 25,000 and 30,000.

Earnings of the company have increased on a very substantial scale. In 1919 they amounted to about $11 a share, after taxes, against $6.14 a share in 1916, on the basis of the same capitalization for both periods. In the current year it is expected that Chandler will show record earnings—probably as much as $5,000,000, after Federal taxes, or the equivalent of $18 per share of stock. That such an estimate may prove conservative is indicated by the fact that, in the first seven months of operations, net earnings were actually in excess of net for the entire year 1919.



Dividend Amply Protected

With such a proven capacity, the company's dividend rate of $10 a year seems exceedingly well protected. Net current assets, as of June 30, 1920, amounted to $8,700,000, or over $31 per share of stock. Net working capital, as of December 31, 1919, amounted to $33,500,000, or about $56 per share of common stock, and net tangible assets, exclusive of good-will, to over $82 per share.



Photos by Brown Bros.

Left—The plant of the Hupp Motor Car Corp. at Detroit, Mich. Right—Plant of the International Motor Truck Co. at Plainfield, N.J.

In the previous analysis of Chandler Motors, referred to above, it was shown that a man who bought 100 shares of Chandler Motors in January, 1920, at 103, held on until the new stock sold at 164 a share, subscribed to Cleveland Motors, and sold out the recapitalized common stock of the subsidiary at 70, would have made the tidy little profit of $44,600 on an investment of $10,300 in slightly over a year. The likelihood of any such tremendous profit accruing from the purchase of the stock at current levels is not extreme. Chandler, like the other motor companies, will have to go through a period of industrial readjustment before it can hope to enter another period of active and profitable business. However, the stock appears to be a good, conservative semi-investment at current levels and can be purchased with considerable confidence. —vol. 24, p. 840.

INTERNATIONAL MOTOR TRUCK CORPORATION

International Motor Truck was incorporated in November, 1916, taking over the business of the International Motor Co. of Delaware. The company subsequently controlled the plant of the Wright-Martin Aircraft Co., and controls through stock ownership the International Motor Co., Mack Bros. Motor Car Co. and the Saurer Motor Co.

The business of the company is confined solely to the manufacturing of motor trucks. Production has increased over 900% since 1914, and has fully kept pace with the enormous increase in the motor truck industry. Production since 1914 has been as follows:

Years	Production
1914	544
1915	1,607
1916	1,977
1917	2,981
1918	3,321
1919	5,008

Production for the first nine months of 1920 amounted to approximately 6,250 trucks, which is at the annual rate of,

roughly, 7,700 trucks. Operations of the company are now running at about 65% of capacity, which is an excellent showing in comparison with general conditions in the automobile industry. It proves quite conclusively that the motor truck industry is on a sound commercial footing. Indeed, motor trucks are fast becoming an economic necessity in the business world. There has been no price reduction in the company's truck and none is contemplated.

Net earnings of the company have increased at a very satisfactory rate. In 1917 the company earned about sufficient to cover its first and second preferred dividends, with nothing left over for the common. In 1918 the earnings amounted to over $2.50 per share on the now outstanding common stock, and in 1919 earnings were slightly in excess of $3 per share of common. Earnings for the first nine months of the current year established a new high record for the company, net before dividends amounting to $3,114,331, or the equivalent of $8 per share of common stock, after preferred dividends.

A conservative estimate of net earnings available for the common stock for the last three months of operation would be around $500,000. This would give total earnings on the stock for the year of approximately $10 per share. All back dividends have been paid up on both preferred stocks. A 100% common stock dividend was declared to holders on May 11, 1920, and there are now 283,108 shares of no par value outstanding.

The company is in an excellent financial position, net working capital as of December 31, 1919, amounting to $12,600,000, or over $44 per share of common.

Position of the Securities

The first preferred stock of the International Motor Truck Co. is well secured as to assets. In 1918 and 1919 the 7% dividend requirement was earned more than twice over, and for the first nine months of 1920 earnings amounted to almost $29 a share. At the present price of about $71 a share the yield is over 9.8%. The company is still in its early stages, which probably accounts for the low investment rating accorded this particular issue. It appears an excellent long-pull investment, however, and should sell much higher in an improving market.

The second preferred stock is also well secured as to assets. The issue is a very small one, only 53,317 shares being outstanding. Earnings were over twice dividend requirements in 1918 and 1919, and over $24 a share in the first nine months of 1920. The stock is now selling at about $58 a share, at which price it yields better than 12%. The narrow market existing in this stock deprives it of some of its attraction, although from a statistical standpoint it certainly looks like a desirable speculative investment.

At the present market price of around 30, the common stock may be rated as an excellent speculation. The real potentialities of the issue have only been manifest in the last two years, but if 1921 earnings keep up to the current rate early dividends on the common may be looked for and a resultant improvement in its price.

INCOME OF THE CHIEF INDEPENDENT ROADS IN 1920

(Continued from page 312)

St. Louis earned $508,391 net in the first two months under the new rates. As September and October represent 20.549% of the traffic year, this would be at the annual rate of $2,480,000. Of this rate, November and December's proportion, these months representing 17.288% of the traffic year, would be $429,040.

In all cases, other income and charges were taken from the actual figures for 1919, with such adjustments as could be made in the light of existing knowledge concerning changes.

New York, Chicago & St. Louis has $30,000,000 stock, divided into three classes. After the first and second preferreds have had 5%, the common is entitled to 5%, after which all three classes participate ratably. A dividend of $5 a share has just been declared on the common, payable in 1921, but this is the first disbursement to this stock since the $4 paid in 1913. **The final net shown in the table is at the rate of $8.45 a share on all three classes of stock,** and this would seem to be an ample margin for a $5 dividend. On the other hand, the common stock is far from being a seasoned investment issue, and the present price in this market has fairly well discounted all that is likely to come to the common. The speculative attractions of the junior stock are also diminished by the participating rights of the preferred issues, which I would much rather have at the existing spread of prices.—vol 27, p. 20.

Pere Marquette

Pere Marquette suffered a variety of misfortunes in the six months' period after it had rejected the Government guaranty. Among these were the car shortage and the outlaw strike, but in September and October the company more than offset a large operating deficit that had accumulated in earlier months.

The final net in the table is just about sufficient to cover the 5% dividend on the $11,200,000 prior preferred stock, but results in September and October indicate a substantial return on the common after allowing for 5% on the second preferred, on which no dividends are paid.

In spite of a very heavy allowance for maintenance, St. Louis Southwestern will close 1920 with a much larger income than it would have derived from an acceptance of the six months' guaranty. **The final net in the table is equal to more than $11 a share on the $16,356,100 common,** after allowance for 5% dividends on the preferred now unpaid. Month by month, the road has shown improvement, and the outlook for 1921 is better than results last year, unless a serious depression hits the company's territory. I would say the common stock was very cheap if it were not for two factors in the situation. The company has a fair-weather financial structure, and the official valuation shows little or no equity for the junior stock. For a long pull, the preferred, which usually sells at a spread of from six to twelve points, is a better purchase, but the recent action of the common shows that it is a good trading issue.—vol. 27, p. 239.

Southern Railway

The recent returns of Southern Railway, due chiefly to conditions in that company's territory, have been a great disappointment. The company did very well up to September, but subsequent results have been very unfavorable. **The final net in the table is equal to about 70 cents a share on the $120,000,000 common stock,** but the outlook for 1921, based on September and October returns, is not so good. For this reason, I would switch the junior stock of Southern into 'Frisco common, whose earnings are still running high.

The table contains the estimated income of only the operating company, as the Western Pacific holding company has never issued a report. For this reason, the final net is much less than the income that is actually accruing to the benefit of the stockholders, because the holding company has valuable assets, some of which are income producing. Litigation and uncertainties with respect to the new financial organization of Denver & Rio Grande have made any estimate of the future earnings of the company very difficult. The company will receive, however, $500,000 dividends on the stock of the Utah Fuel Company, and the benefit of Denver's earnings over charges, and these are running very large at the present time.

The final net is at the rate of $3 a share on the $47,500,000 common stock, after heavy maintenance allowances, which affect not only the actual figures for September and October, but the estimates for November and December. This certainly points to better results in 1921 than were obtained last year.

The company has announced its intention of paying to both preferred and common a stock dividend, to cover the new equities derived from the Denver & Rio Grande, amounting to 16 2/3% of preferred and 16 2/3% of common, or a total of 33⅓%. **With the preferred paying 6% and occupying with respect to the property the position usually occupied by second-grade railroad bonds, it should be worth at least 60 in any kind of a market.**

Thus, the dividend payable in preferred, to say nothing of the dividend payable in common, should be worth ten points as applied to the common. In other words, holders of 100 shares of common purchased at 25 could write down the price of the common to 15 by selling the preferred at 60 and still retain an additional 16 2/3 shares of common.

If a holder of common decided to keep the preferred he would have, by virtue of the preferred dividend, the equivalent of 1% on his original holdings of common.

Of the five possible speculations offered by the common stocks of these roads—because Nickel Plate common is little better than a speculation, in view of its dividend record—Western Pacific seems to me to be the best, because it has undoubtedly large equity in the property and, with surplus income of Denver & Rio Grande, a good earning power. Moreover, with the dividend payable in preferred sold off, it is the lowest priced of the five.

Prosperity in Glass Manufacturing Industry

American Window Glass Made High Record Earnings in Year Ending August Last—Largest Company of the Kind in the World

By JOHN T. WINDSOR

UNOBTRUSIVELY proceeding on their way, and almost entirely without notice from the investing public, there are a number of industrial companies that, for years, have been riding on the crest of prosperity and handing out large returns to their stockholders. Among them is the American Window Glass Co. This concern is the most important producer of window glass in the world, and produces about 85% of the domestic output. It also produces enough photo and x-ray glass to supply the entire requirements of the American trade.

American Window Glass is owned entirely and controlled by the American Window Glass Machine Co., which owns exclusive rights to patents on window glass machines in the United States. These rights it leases on a royalty basis to American Window Glass. The latter was incorporated in Pennsylvania in 1899, taking over 20 companies comprising all of the more important window glass manufacturers in the United States. Since the time of incorporation the company has gone into the manufacture of other products besides window glass and to-day is easily the leader in picture glass of all sorts, including photo and x-ray glass.

The company has six large and well-equipped plants located near the Pittsburgh district, and one large plant at Hartford City, Ind. A few years ago, through some important innovations, the company practically revolutionized the window glass making industry in the United States.

It is understood that further improvements are to be put into effect which will make the process of manufacturing window glass practically automatic.

Business Operations

The manufacture of window glass depends to a great extent upon fuel conditions and all manufacturers, to some extent at least, use natural gas in their heating operations. Owing to the more or less periodic scarcity of natural gas during the past few years many smaller companies have been seriously interfered with in their operations. Not so American Window Glass, which to a great extent has substituted soft coal for natural gas. Being in the soft coal region it has not experienced any great difficulty in obtaining this necessary commodity and has therefore been able to get more or less satisfactory results so far as production is concerned.

Up to a year or so ago, the company did a very large export business with Europe. This demand was very largely intensified owing to the fact that the Belgian plants, the largest European producers, were shut down on account of war conditions. The Belgian plants are again producing their regular quota, however, and this has resulted in somewhat limiting the company's export field in Europe. Also the exchange situation has adversely affected the company's exports. Nevertheless, believing that it can successfully compete with the European product, American Window Glass intends to stay in the export field permanently.

In order to stimulate foreign buying the company sells its products in small quantities. The domestic consumer, however, must buy in carloads, and even then he must have met with the approval of the company. In other words, American Window Glass is particular as to its customers and will not accept orders from any but properly qualified jobbers. This independent position is easily understood when it is appreciated that the company is the leading interest in its field, bearing the same relationship to its industry as the American Woolen Co. does to the woolen industry.

As to Prices

American Window Glass has not raised its prices in the past two years, except in the case of several rare products. It did, however, raise the prices on its various products from 125-150% in the period 1916-1917. Window glass costs to-day nearly three times as much as it did before the war.

AMERICAN WINDOW GLASS CO.

	Current Assets	Current Liabilities	Net Working Capital
1914	$2,855,876	$187,924	$2,667,952
1915	3,009,195	147,897	2,861,298
1916	2,979,427	391,894	2,587,533
1917	4,117,369	597,690	3,519,679
1918	3,996,001	1,557,300	2,438,701
1919	7,503,364	2,623,861	4,879,503
1920	12,304,000	4,174,000	8,130,000

The company's labor costs have been principally responsible for the advance in its prices. Wages have increased about 125%; and inasmuch as labor constitutes about 75% of the company's operating expenses, it is easy to see why it had to raise the price on its products. The window glass making industry is very strongly unionized and very recent demands for a 12½% wage increase will probably have to be granted. However, these labor conditions are not so serious as they were formerly, principally owing to the fact that lavor-saving devices have been put into effect. The company, at present, employs no more than 1,500 operatives.

Very Large Earnings

The company earned very large amounts during the war. In the period September, 1915, to September, 1918, it earned 62.26% on its $13,000,000 common stock, or a yearly average of about 20%. This was after reserving unusually generous amounts for depeciation and maintenance. Notwithstanding that the war ended two years ago, and that the readjustment to peace conditions has been slow and uncertain, the company has continued its remarkable earnings record. In the year ended August 30, 1919, it earned 21.01% on the common stock, while in the year ended August 20, 1920, it broke all records with earnings of 32.60% a share. This record does not include depreciation charges. But even assuming that the company charges off an amount equivalent to the average for the previous four years, namely, $875,000, there would still be 27% left for the common stock or as good as the best previous year, 1918, when only half as much was charged off for depreciation and repairs.

The financial position of the company is very strong. Current assets are approximately three times current liabilities totaling $12,304,000 and $4,174,000, respectively. This leaves a working capital of approximately $8,130,000 against the $13,000,000 common stock, preferred stock and bonds being easily covered by property value.

The capitalization of American Window Glass is as follows: $525,000 first mortgage and collateral trust sinking fund gold 6% bonds; $4,000,000 in 7% preferred and $13,000,000 in common stock. This latter pays 12% in dividends annually. The 6% bonds are due Feb. 1, 1922 and are rapidly being worked off. Last year $279,000 bonds were retired, leaving only $525,000 bonds to be called in, an amount which the company earns in less than two months. The preferred stock is high-grade, with a large factor of safety, and is quoted at about par, yielding 7%. It is quoted on the Pittsburgh Stock Exchange, where it has a limited market. The common stock is held entirely by the American Window Glass Machine Co. and therefore is unquotable.

American Window Glass Machine Co.

Practically all the operations of the American Window Glass Machine Co. revolve around the American Window Glass Company. Practically all its income is derived from the royalties which it receives from American Window Glass or from the dividends it receives from its common stock holdings in the latter company. For all practical purposes, therefore, the two companies may be regarded as one.

American Window Glass Machine has $6,999,600 in 7% preferred stock. This has a market on the Pittsburgh Stock Exchange and is quoted at about 86. This stock is a good investment, although its attractions are somewhat marred by the limited market available. There is $12,998,600 in common stock outstanding, an amount equivalent to the amount of Amer-

(*Continued on page* 351)

Answers to Inquiries

CITIES SERVICE BANKERS SHARES

An Attractive Specvestment

This issue is a good speculation, and at the present time earnings are sufficient to cover the dividend being paid. As to the ability of the company to keep up this rate of dividend for a long period of time depends on future conditions in the oil industry, but at this time we consider it fairly safe to hold the stock, as it should sell higher when the market resumes a more stable tone. We believe that it will be all right for you to continue your payments as arranged with the firm mentioned and complete the purchase of your stock. The sponsorship for Cities Service issues is high grade and management well regarded. The company has made wonderful progress in the past and this record is an element of assurance as to the future. Strictly for investment, we suggest its preferred stock or its convertible debenture issues.

AM. STEEL FOUNDRIES

Dividends Well Covered

As one of the leading equipment companies, its prospects for the next three or four years would appear to be exceptionally promising. For the nine months ended September 30, 1920, it reported surplus, after charges and federal taxes, of $4,000,000, equivalent, after preferred dividend, to $7 a share on the $18,000,000 common stock, par $33⅓, as compared with $3.91 a share in 1919 for the corresponding period. The company has recently declared a stock dividend of $4 a share, equivalent to 12% on the common stock, payable December 31, to stock of record December 15. The new stock will not share in the current quarterly dividend. We regard this issue as a good speculative commitment, and believe that any recession that occurs will be relatively unimportant from levels around 28.

VANADIUM CORPORATION

Stock Now Very Reasonable

This company appears to be prosperous, although its business has been affected to some extent by the slump in the automobile industry, which uses Vanadium to a large extent. The last report of its earnings was for six months, ending June 30, 1920, which showed earnings of $1,300,000, or at the rate of $3.53 per share on the 373,300 shares of no par value outstanding. The stock has been paying a dividend at the rate of $6 a year, and this report shows the earnings to be a slender margin over the dividend requirements. On December 15 this dividend rate was reduced to $4, and this should be taken into consideration in making a commitment.

With the dividend reduced and the stock around 30 (after a previous "high" of 97), it looks a far more attractive proposition, and its price more in accord with worth and current conditions.

CHICAGO, B. & Q. JOINT 4s

Refunding Highly Probable

The security behind these bonds is ample to protect the holders. They are not only secured by stock but guaranteed by the GREAT NORTHERN and NORTHERN PACIFIC. There is little question but that the bondholders will eventually get their money, but as to whether they will get the cash July 1 is problematical. This is the largest corporate financing in American history and it may be difficult to arrange any cash liquidation, and, in any event, the refunding will undoubtedly be at a higher rate of interest. To avoid all danger, however, we would switch into another long-term 4% bond, like Central Pacific 4s, around 70 (guaranteed by Southern Pacific), the security for which and ability to pay is beyond all question.

HUDSON & MANHATTAN

Adjustment 5s a Fair Speculation

The adjustment income 5% bonds are outstanding to the amount of $33,000,000 and are a direct obligation of the company, secured by a mortgage upon its entire property, subject, however, to the first lien and refunding mortgage and to the lien prior thereto. We understand that the earnings are at the rate of from 4% to 5% of the income bond. This does not mean that such amount will be distributed, as in the past the company has placed $660,000 per annum in a depreciation reserve. As a speculation, the bonds can be rated "fair," and some appreciation in price can be looked for eventually.

OTIS STEEL

Financial Position Satisfactory

In September the officers of the company stated that the position of Otis, financially, was stronger now than at any time since its consolidation with the Cleveland Furnace Company, a year ago. The company has net current assets of approximately $10,000,000, and has no funded debt. Its earnings have been fair, but, naturally, it has been affected by the unsettled conditions in the steel industry.

The stock is a fair speculation, but it has always been sluggish in the market, even when other stock showed activity. There is no indication that the management is as yet inclined to put the common stock on a dividend basis, although the reported earnings would warrant such action.

As between OTIS STEEL and U. S. STEEL, we certainly should select the larger company, because of its seasoned character and its long dividend-paying record.

UNITED LIGHT & RAILWAY

Preferred Stock Should Be Held

We regard the dividend on the preferred as being fairly well secured, as indicated by the earnings statement for four months, ended October 31, 1920 and 1919. The gross for 1920 was approximately $11,000,000, as compared with $10,000,000 in 1919. The net, about $3,000,000 in 1920, compared with $2,000,000 in 1919. The balance for fixed charges for 1920 was $1,460,000, as compared with $1,124,000 in 1919. The balance, after preferred dividends, in 1920, was $856,000, compared with $518,000 in 1919. The preferred dividend would be earned about twice, even after deducting charges on the new notes of $160,000. From this showing we believe one would be justified in retaining this issue.

FAMOUS-PLAYERS

Earnings High and Prospects Good

The report for nine months, ending September 25, 1920, showed net, after federal taxes, of $3,000,000. This equaled $17.86 on the common, after preferred dividend. This is a good showing, but in view of the gradual falling off in the theatrical business throughout the country, we do not believe this rate of earning can be continued. The stock can be considered a fair speculation, but cannot be placed in the investment class. The net, quick assets on December 31, 1919, amounted to $14,000,330. Inquiry into the industry reveals optimism in well informed quarters and we believe Famous-Players is attractive at 40-45, where we were not enthusiastic at much higher levels.

WILSON & CO.

Believe California Packing a Better Opportunity

The continuation of the dividend on the common, in 1920, would appear to be contingent on a material improvement in the net earnings as compared with 1919. Next year the operation of a sinking fund for the purchase of a ten-year convertible 6% bond becomes operative. This calls for $1,500,000 on March 1, 1921, to 1925, inclusive, and $2,000,000 each year subsequently to 1928. In addition, there is a sinking fund of 2% annually on the preferred stock. In 1919 surplus profits, after interest charges, were $2,771,000. Judging from these figures, if $1,500,000 sinking fund charges had been operative, there would have been left for the 200,000 shares of common stock outstanding, after deducting $736,000 for the preferred dividend, a balance of about $538,000, or at the rate of $2.69 per share. Export conditions may improve next year to a sufficient extent to overcome these handicaps, but the outlook is not particularly promising. The net tangible assets on December 31, 1919, amounted to about $80,000,000.

We believe California Packing at $58, paying $6 dividends, a better investment and suggest purchase in place of Wilson & Co.

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Doubtful Dividend Payers

What Should the Holder Do About It?—Exchanges Suggested by Members of the Magazine of Wall Street Staff

(Article II)

Position of Foremost Copper Producers

IN the absence of demand for copper in either domestic or European markets, the curtailed production on the part of most producers, the depressed price for the metal, and the maintenance, if not accumulation, of large stocks of the metal, are all conditions which naturally stimulate inquiry as to which copper company will be the next to cut or pass its dividend.

To say that many copper companies are in an unfavorable position is to state the case mildly. Most of them are losing money, and how long they will continue to consider it good business policy to pay dividends out of surplus in a depressed market, with no definite relief in sight, may depend on influences entirely apart from operating surplus or deficit during a period of depression. For example, the Anaconda Copper Mining Co. is losing money. It has curtailed its production to 50% of its normal capacity, and then 40% of its normal capacity, and there is even some talk of a further reduction to as low as 25% of its former average production. At the present time the production of the company is about 11,000,000 lbs. of copper and 5,000,000 lbs. of zinc per month, which is considered the minimum economic capacity.

Under ordinary circumstances, if the production of a certain article does not pay, and cannot be made to pay during a certain period, it is usually considered good business policy to discontinue the production of the article. However, the directors of large organizations like the Anaconda Copper Mining Co., and the Utah Copper Co., would certainly be failing in their responsibilities were they to take only this view of the matter, and close down their works. Such a step might be disastrous, not only to the physical condition of the properties, and to the operating organizations, but might cause severe and unnecessary hardship to many stockholders who are depending upon the regular receipt of their dividends. These directors realize that they have built up large surplus accounts out of earnings, not only for the purpose of providing capital to take care of repairs, alterations, and additions to their equipment, but also for the purpose of seeing them through just such periods of temporary embarrassment as present industrial conditions have thrust upon them. In addition to all this, a substantial surplus may be used judiciously for the purpose of maintaining regular dividend distributions during periods of reduced earnings, and may be allowed to accumulate when profits are above the average, and the surplus may, to a reasonable extent, thus act as a reservoir, to stabilize the earnings on the company's shares. Stability of earnings is one of the ideals for which the conscientious director strives, for he knows that it reflects credit on his enterprise, establishes the confidence of his stockholders, and reflects the ability of his organization.

Unsold Copper

Unfortunately, the surplus accounts of many of the big copper companies have been unsatisfactory reservoirs of surplus capital during the past year or two, because instead of representing available cash they represented unsold copper. Hence we have before us such situations as a remarkably efficient and prosperous organization like Anaconda Copper Mining Co., with a large profit and loss surplus account, but at the same time forced to borrow large sums of money to take care of its current pay rolls. The company faces not only the emergency of taking care of its pay rolls out of borrowed money, but it must now consider the advisability of paying all or a part of its current dividend with borrowed funds, or passing this dividend altogether. In the past, the directors of well managed companies like Anaconda have not hesitated to face a situation of this kind boldly, and they have taken whatever step they considered best business policy under the circumstances, regardless of what the effect might be on the quotation for their shares in the stock market. Anaconda is now facing one of these situations, and it was no surprise to learn that the directors considered it best to pass the dividend altogether. Evidently they consider the probability of a turn in the copper market to be a long way off, or at least too difficult to forecast with any confidence at this time.

ANACONDA, along with other substantial copper producers, is making a strenuous effort to make the best of a bad situation by reducing cost of production so long as it cannot increase the selling price of its products. It has introduced numerous economies in operation, has dispensed with all unnecessary labor, and has cut wages about 15%. In cutting wages, it is doing neither more nor less than most industrial enterprises that must co-operate to reduce cost of production under present conditions, if it intends to remain in business at all.

UTAH COPPER CO. is another large producer that is not earning its dividend at the present time, but it can hold out longer than many of the other companies, in its effort to maintain a regular dividend, by virtue of its strong financial position, fortified with both cash and Liberty Bonds. It has between $3,000,000 and $4,000,000 in cash in its treasury, and holds about $13,500,000 in Liberty Bonds. Nevertheless, if the company's directors believe that the present depression is to be long drawn out, it is unlikely that they will consider it wise to distribute its resources to stockholders, while its production cost of 17.156c per lb. of copper is between two cents and three cents above the selling price of the metal. In view of this condition it would not be surprising if Utah Copper joined the ranks of the quick-asset conservationists.

RAY CONSOLIDATED has reported a loss of $113,519 for the last quarter, and a deficit of $445,443, from operations, after the payment of the quarterly dividend. The company's recent cost of producing copper has been 15.47c per lb., which represents a substantial loss at the current price of the metal. Here again is a company with a cash balance of about $2,000,000, and other quick assets amounting to about $7,000,000, and no debts. But is it fair to suppose that it will continue to follow its present dividend policy, if the copper market shows no early signs of life?

MIAMI has had an advantage over other copper companies with about the same cost of production, in that it has usually sold its copper direct to the trade, rather than through one of the large sales agencies. Following this policy, it has been able to keep in closer touch with actual consumers of the metal. Miami has been able to make money, with copper selling down to 14¾c a lb., but it is difficult to see how the company can continue to make a substantial profit and pay dividends when producers like Chino and Ray Consolidated are not justified in continuing their dividends. Miami's production has been about 66% capacity recently, and there has been no wage readjustment in its district, although a lower wage schedule is expected before long in order to meet the prevailing conditions in the metal market.

KENNECOTT and CALUMET & ARIZONA have a considerable advantage over the other copper producers on account of low production costs. Kennecott has not been compelled to curtail its output as have the other companies, and its mines have been able to show a good margin of profit, even at recent low prices for copper. Kennecott's costs have been estimated at around 10c per lb. of copper, which suggests that it may be counted upon to continue its present dividend policy so long as it can dispose of its products. The regular quarterly dividends of 50c a share was declared, and is payable December 31st.

Calumet & Arizona has been forced to curtail its production considerably, and it is carrying large stocks of unsold copper. It has been able to make a profit on a few sales of the metal which it has produced at a cost of about 13c per lb. The company has not yet resorted to wage reductions, but is using many of its men

on development work. The company has large cash reserves, and derives a substantial income from its New Caledonia dividends. Further, it has large assets in the form of working capital, and has no debts.

The advisability of paying regular dividends through a period of depression, in order to maintain a record for regular income return to stockholders, is questionable, especially if these payments must be made in the face of an operating loss of considerable duration, or if the money must be paid out of borrowed capital. Most substantial holders of copper securities have discounted present conditions by selling their stocks soon after the decline began, and switching into investment bonds that are not likely to fall so far, and with the intention of ultimately buying back their copper shares at lower levels. Of course, many insiders who are interested in directing the operating policies of a large producer, must retain enough of their shares to insure the control of their enterprise, but beyond this, it is fair to assume that they would be good enough business men to reduce their certain loss by switching temporarily into some other class of security, as there would be nothing to gain by keeping funds tied up in unproductive shares which could be dropped and repurchased at a lower level.

The question might be asked "who is so accommodating as to hold these shares during a sag in the quotations?" and the answer is, that the unthinking public does it, particularly those people who act impulsively, and simply with the desire to buy something on its past reputation, and without any investigation of the present physical condition of the property behind the shares, or industrial influences that may affect the disposal of its product. Again, there is the un-analytical investor who buys for what he calls the "long pull," and with the argument that he can afford to wait until the shares rise again to the level where they belong. But this long-pull-investor argument loses weight if there is danger that the companies may pass their dividends as well as being forced to conduct operations under conditions which result in the depreciation of their shares. In general, the buyers of copper shares during the past six months are those who do not read THE MAGAZINE OF WALL STREET, and develop the habit of analytical study of securities that makes consistent investors and traders.

The rapid decline in the average price of leading copper shares during the past year, as compared to the average price of a group of leading industrial or railroad bonds, bears out the argument which we have often made in the columns of this publication, that it is a mistake to assume that the conservative investor should not indulge in trading. Is it not the most sensible course imaginable for an investor who has held coppers for investment yield, to switch out of them when he sees that his investment is in jeopardy during a period of depression? Such a depression might be most severe in its effect in the very industry in which he has invested his funds, just as it is at this time in the copper industry. Is it not more logical for him, as soon as he observes the trend of affairs, and sees that his favored shares are about to be unproductive for a considerable period, and then possibly return to an investment footing, to make a decision to sell, even with a small loss?

Why should he carry a load of sagging and unproductive securities across the gulch of depression, descending a steep slope on one side, crossing the bottom of a chasm of unknown width, and climbing the hill on the other side, when it is just as easy to get off near the brink of the chasm, and ride across on a strong suspension bridge in the form of a good bond or preferred stock, which may sag a little, or even reach the other side at a lower level, but eventually meet his favored securities coming up the other side? When the next period of prosperity begins he can repurchase the same stock that he formerly sold, and have the full advantage of its speculative possibilities. Furthermore, he holds the carrying charges in his pocket, for he has received interest on bonds, or dividends on preferred stock, instead of pocketing the losses represented by passed dividends.

The present situation in coppers serves to illustrate the fact that no matter how willing a man may be to take a long pull

PRICE RANGE AND DIVIDEND YIELDS OF BIG COPPER PRODUCERS

	1920 Range		Dividend	
	High	Low	Amt.	Yield
Anaconda ...	66½	30	0	0
Cal. & Ariz..	69	40	4	10.0
Cer. de Pasco	61¾	24½	4	16.3
Chile	21¼	7⅝	0	0
Chino	41⅝	16⅝	0	0
Greene Can..	38½	15	0	0
Inspiration .	61⅞	21	0	0
Kennecott ..	33½	14⅝	2	13.7
Miami	26	14⅛	2	14.1
Nev. Cons. ..	17½	8	0	0
Ray	26¾	10	1	10.0
Shattuck ...	13	4⅝	0	0
Utah	80¾	44⅛	6	13.6
A. S. & R. .	72	29⅞	2	6.7
U.S.S.R. & M.	76	29½	2	6.6

position on his securities, even including some substantial coppers, a point is always reached in a declining market when he must make a decision to take a small loss, and switch into something else, or take a big loss and hold it patiently with or without carrying charges, until such time as it is partly wiped out by another big upward trend. A decision too long postponed loses its value; for example, now is the wrong time to sell copper shares with any idea of gaining a speculative advantage, for the bottom of the decline may be at hand. It is no longer a question of making a decision as to whether selling will stop a loss, for perhaps all possible loss due to a fall in quotational price has been taken, but at the present time it is more a question as to how long the price will stay down, and how long an unproductive stock must be held, or how soon future prosperity in the copper industry will be discounted.

The accompanying table shows the recent status of the leading coppers. American Smelting and U. S. Smelting have been included for comparison.

Conclusion

The holder of copper shares at the present time, and especially one who has carried them down through the recent severe decline, will say, "this is all very fine theory, but it does not offer me any definite relief in my present situation; what, if anything, can I do to better my position?" He is quite right, for there is little advantage to be gained in switching to a bond after all or most of the loss on his copper stocks has been taken. Moreover, it is the worst possible time to sell a perfectly good speculative issue when it is near the bottom; this is exactly what the average Wall Street lamb does in order to transfer his money over to the careful professional trader. No switch of securities is justified unless it serves to better his position. Therefore, the factors he must consider are those which have a bearing on the relative desirability of different securities that are in the same general class with those he holds.

For example, it would be logical to switch from a stock which might soon pass its dividend, because it is producing copper at a loss, like Miami and Ray, into one that is likely to maintain its dividend, at least as long as it can dispose of its product, because its cost of production is well within the selling price of the metal, like Calumet & Arizona, or Kennecott, or into a security of a company engaged in more diversified enterprises, or dealing in a variety of metals, and not at the mercy of the market price or demand for any one of them alone, like American Smelting. Anaconda has passed its dividend, and American Smelting has cut its dividend to $2 a share, yielding about 6.7%. Both will be such attractive investment issues eventually, as well as speculative certainties, that it does not seem wise to sell them now. The same may be said of Utah, which may cut its dividend before the present depression is over.

The Industrials

All the evils of a precipitate decline in prices have struck the industrial corporations amidships and the important consideration at present is to find out which companies have been weakened by existing conditions or are otherwise in an unsatisfactory position, and to exchange one's holdings into more soundly and favorably situated organizations.

AMERICAN WOOLEN-CONTINENTAL CAN.—The outlook for the woolen industry is decidedly unfavorable. The stock of wool on hand in this country is the largest ever, with the possible exception of last year. In addition to this the supply on hand in England, France, and Belgium is enormous, as net imports to these countries this year ran as high as the pre-war years and consumption was very small. Without a heavy duty on imports there are sure to be heavy shipments of wool into this country. The existing foreign exchange rates will also continue to have a depressing effect on the woolen market.

The American Woolen Co. will apparently have a rough road to travel. The company's record prior to the war is not a very imposing one. In 1913 and 1914 the company failed to earn sufficient to cover its preferred dividends. The great prosperity of the last few years was due to the abnormal conditions which existed, but these conditions are now over.

The canning industry is a well estab-

lished and essential line of business and the outlook for the industry is decidedly bright. One of the leading and strongest companies is the Continental Can Co. The company controls a large percentage of its raw material through ownership of The Standard Tin Plate Co. Continental Can has fully demonstrated its ability to sustain earnings on its common stock under varying conditions since incorporation in 1913. The demand for canned foods is always large and approximately 75% of the company's output is used for this purpose.

The capitalization of the company is extremely conservative. There is no funded debt, and only $4,510,000 of 7% preferred stock ahead of the common shares. Earnings have amounted to over twice the 7% dividend requirements on the present outstanding common stock since 1916.

The Continental Can Co. common dividend is more adequately secured than American Woolen, and the speculative possibilities considerably better. Both American Woolen and Continental Can are selling around $57 a share and paying 7% dividends. The switch therefore involves no change in income or yield.

PIERCE-ARROW-GENERAL MOTORS. — The earnings of the Pierce-Arrow Co. have been declining steadily since 1916. Manufacturing expenses have been mounting much more rapidly than sales. In 1916 the preferred dividend requirement was earned five times over, in 1919 three times over, and for the first nine months of 1920, 2.2 times over. The real trouble seems to lie in the diminishing profit per car without any substantial increase in production. While this preferred dividend is probably not actually in doubt, an exchange can be made to advantage.

The General Motors Corpn., which controls such companies as Cadillac, Buick, Chevrolet, and one of the largest truck companies in the country, has enjoyed an enormous increase in net earnings since 1916, actually over 108%, and has suffered less from the present business depression than Pierce-Arrow. Both the Cadillac and Buick cars rank among the most popular, and the sales of these two companies have increased enormously in recent years.

On the basis of the present capitalization of the company the dividend requirement on the outstanding 7% debenture stock was earned 4.8 times over in 1916, 10 times over in 1919, and for the first six months of 1920 5.8 times over.

The debenture stock is well secured as to assets and the financial position of the company is strong. The stock ranks equally with the 6% debenture and 6% preferred stocks of the company. There is no funded debt ahead of these issues. The 7% debenture stock and the 8% preferred stock of the Pierce-Arrow Co. are both selling around $70 a share, and the switch from the latter to the former will no doubt prove wise, in spite of the secrificing of 1% in dividends for the present.

CUBA CANE SUGAR-CALIFORNIA PACKING.—With the sugar market in a very demoralized condition, sugar selling at pre-war levels, a large stock already accumulated, and the new crop coming into the market in the near future, the sugar companies, especially the Cuban companies, where the situation is very critical, are going to find it difficult to make both ends meet in the coming year. The profits, if any, will be small, and we believe that it would be an excellent precaution for stockholders of the Cuba Cane Sugar Co. 7% preferred stock to exchange their holdings to the 6% common stock of the California Packing Corpn., the outlook for which is decidedly bright.

The growth of the California Packing Corpn., since its incorporation in 1916, has been steady and substantial. The packing industry is an essential one, and we believe the large demand for canned fruits and vegetables in recent years will be fully sustained. The company's brands are highly popular and well known throughout the country—the Del Monte trade-mark is a household word.

In the early part of 1920, 92% of the outstanding preferred stock was converted into common and the balance was redeemed at $115 a share. The company has no funded debt, the 472,010 shares of common stock representing the entire capitalization of California Packing. On the basis of this capitalization the company earned over $15.25 per share in 1919; $8 per share in 1918; $13 per share in 1917; and $7.85 per share in 1916. Earnings for 1920 will be in excess of last year according to all indications.

In view of the very unfavorable outlook for the sugar industry as compared with the excellent prospects and strong position of the common stock of the California Packing Corpn., we believe that a switch from the Cuba Cane Co. to the latter would prove a profitable operation.

Latest quotations on the securities of the two companies show them both selling at about $58 a share.

CONSOLIDATED CIGAR-U. S. RUBBER.—The Consolidated Cigar Co. was incorporated on May 13, 1919, and is engaged in the business of growing, curing, buying, and selling tobacco. The company, starting operations at the height of general business prosperity, and the highest prices that ever existed for tobacco, reported earnings, for the seven months of operation in 1919, of approximately $3 per share on the present outstanding common stock. The combined earnings of the companies incorporated into the Consolidated Cigar Co., for the previous three years, amounted to $2.25 per share in 1918, $3 per share in 1917, and $4.55 per share in 1916. For the first nine months of operation for 1920 the company earned over $10.50 per share of common stock. In November, 1920, a stock dividend of 15% was declared, which increased the outstanding common stock from 90,000 to 103,500 shares. The dividend on the common stock was also increased from $6 to $7 per annum. The company's growth appears satisfactory, but it has not yet had to stand the test of a period of depression. For that reason the maintenance of the present dividend rate seems open to some question and we would prefer to make an exchange. Such an exchange could be consummated by buying U. S. Rubber Co. common stock. This stock pays 8%, and the company has fully earned this dividend over a period of eight years. The heavy depression in the rubber industry and the precipitate decline of this commodity from over 55c to 17c a pound make it possible to procure this stock at the lowest price it has sold at in years.

U. S. Rubber is now quoted around $55 a share, at which price it yields over 14.5%* and Consolidated Cigar is selling around $53 a share and yields 13.2%.

AMERICAN HIDE & LEATHER-WORTHINGTON PUMP.—Earnings of the American Hide & Leather Co., with the exception of the two abnormally prosperous years—1918 and 1919, and the years 1916 and 1917—have never shown any substantial margin of safety for the preferred stock. In fact, in the entire period from 1900 to 1916 the only years in which the company earned sufficient to cover its preferred dividend was in 1909 and 1915. At present there is about 112¾% of accumulated dividends on the preferred stock. In the first quarter of the fiscal year, which will end June 30, 1921, the company reported a deficit, before charges on preferred stock, of $1,392,574, the worst quarter in the history of the company. The company has retired all of its funded debt, but even this factor fails to make the stock attractive at the present time.

On the other hand the affairs of the Worthington Pump & Machinery Co. are in an excellent condition. Since the company took over the business of the International Steam Pump Co. in 1916 it has shown a substantial earning power for its common stock. The company inaugurated dividends on this class of stock at the rate of 6% per annum in April, 1920. While earnings for 1920 will not be as large as in 1919, they will amount to more than twice the dividend requirements on the common stock. The company's orders for the first nine months of 1920 were more than $10,000,000 ahead of orders for the same period of 1919. Worthington has sufficient orders on its books to keep the company going well into 1921.

Both American Hide & Leather and Worthington Pump are selling around $39 a share. In buying the latter you are switching to a security on which the dividend is well secured and the speculative possibilities are bright, whereas the continuance of the preferred dividend of Hide & Leather seems very doubtful.

RETAIL LIQUIDATION WILL END WITHIN THREE WEEKS

Vice-President Johnson, Chgo. & Northwestern, Expects New Buying Soon

Chicago—Vice-President Johnson of the Chicago & Northwestern Railway Co. says:

"A score or more of our agents in mountain and Pacific states recently canvassed their respective territories and have just concluded a joint conference in Salt Lake City. All agreed that the time for business improvement is near, believing that another three weeks will see liquidation of retailers practically complete. All merchants report stocks reduced and their intention of buying soon. A similar situation exists all over the country. There is considerable liquidation of grain as a result of better prices. General freight traffic is still light compared with a year ago. Passenger business is fair."

Genasco's Prospects Linked With Construction Business

Latent Road-Building and House Construction, If Undertaken, Will Re-establish Company's Position—Its Divergent Interests

By J. L. CHEATHAM

THE use of asphalt in recent years has increased very materially, especially in connection with the construction of roads and pavements.

The most important use for asphalt is in the paving industry, and here two methods of application are employed, namely, asphalt block paving, in which blocks of asphalt composition are first manufactured, and sheet asphalt, in which the asphalt composition is spread and rolled so as to form large continuous sheets.

In addition to the paving industry, there are numerous other uses for asphalt and asphaltic compounds. The purest varieties of asphalt are used to a great extent in the manufacture of asphalt varnish, and insulating paints are made from extracted bitumens of asphalt mixed with various substances so as to produce a hard product corresponding to ebonite.

Another use which gives great promise is the saturating of felt with a mixture of refined asphalt and some petroleum residuum. Asphalt felting has a distinct advantage over coal-tar felting in that it is not rendered brittle by heat or age.

The consumption of asphalt and asphaltic materials in the United States is rapidly growing and an increasing export trade has developed.

Asphalt Paving First Used in 1870

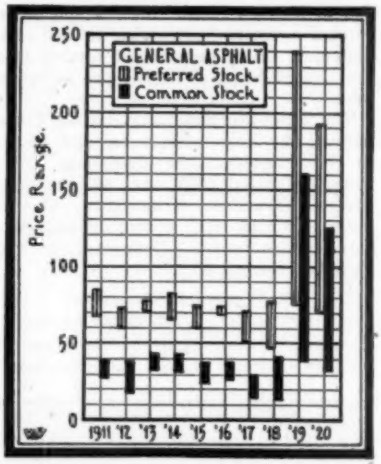
In 1870 the first sheet asphalt pavement in this country was laid in Newark, N. J. Prior to that date coal-tar had been used as the cementing material, but with little success.

The term "asphalt" is more specifically employed to include the purer forms of hard and soft bitumen. Sandstones and limestones impregnated with bitumen or asphalt are known as bituminous rock and this rock, which may be shipped without previous refining, is used principally for street pavements, being mixed with other ingredients at the place of use.

In 1875 the asphalt industry was in its infancy in this country, but in a little less than thirty years there were in place 42,000,000 square yards of this material which had been laid at a cost of about $110,000,000. These pavements are frequently called bituminous pavements, inasmuch as bitumen is the largest constituent of the asphalt.

Asphalt is manufactured into a cement by mixing it with other forms of bitumen and this cement is in turn used to bind together particles of sand and limestone in the asphalt pavement. No two asphalts are exactly alike, and the life of the pavement depends upon the crude bitumen used, the skill in its manufacture into bituminous cement, the proper proportioning and mixing of the cement with the sand and in the selection of the mineral aggregate.

The importation of asphalt into the United States is chiefly from the island of Trinidad off the coast of Venezuela, and from Venezuela itself. Asphalt deposits have been found in many widely separated areas in this country, but commercial production is confined to a few localities in six states and in the Philippine Islands.



As early as 1879, asphalt found in southern California was laid in San Francisco. Other beds of a nearly pure, viscous bitumen, which does not require a softening agent or flux, nor the mixture of other bituminous material to make it of the proper consistency for paving, were found in California.

Within the past few years, manufactured or oil asphalt has become an increasingly important part of the industry in the United States and several countries of Europe. In this country it is manufactured from certain grades of crude petroleum found in several localities. In 1907 the output of this artificial product for the first time exceeded the combined output of the natural varieties by a margin of over 52,000 tons. In late years Mexican oil has proved a strong competitor with our domestic materials, the asphalt produced from such oils running into large proportions. At the outbreak of the World War, there were 44 plants in the United States used in the manufacture of this artificial asphalt.

General Asphalt and Subsidiaries

The General Asphalt Company was incorporated in 1903 under the laws of New Jersey as successor to the National Asphalt Company, which passed into the hands of receivers in 1901. The company controls the following corporations and through them, as subsidiaries, it conducts practically its entire business: The Barber Asphalt Paving Company; The New Trinidad Lake Asphalt Company, Ltd.; New York & Bermudez Company; The Uintah Railway Company, and The Trinidad Lake Petroleum Company, Ltd. The largest part of the total business is conducted by the first three companies named.

At Maurers, N. J., the Barber Asphalt Paving Company operates the largest factory in the world for refining asphalt and for manufacturing asphaltic products. The plant has up-to-date equipment and has facilities there for manufacturing all its various products. The entire plant covers over 186 acres of ground with more than nine miles of railroad tracks. There were facilities for storing 30,000 tons of crude asphalt, 75,000 tons of refined asphalt and 100,000 barrels of oils and fluxes. The recent fire at the plant destroyed considerable property, which has been estimated at from $2,000,000 to $3,000,000. To rebuild and replace the parts so destroyed the stockholders have authorized an issue of $4,000,000 bonds which will provide the company with additional working capital and help defray the cost of replacing the plant not covered by insurance.

The extensive oil refinery is located about a quarter of a mile from the asphalt plant and was not affected by the fire. Tracks of two railroad systems connect the refinery with the asphalt plant and with the waterfront. Pipe lines laid underground constitute the distributing system and numerous stills, tanks, etc., provide ample facilities for refining and storing its products.

The company owns, through United States patents, large deposits of high-grade asphalt, commercially known as "gilsonite"

GENERAL ASPHALT CO.

Year Dec. 31	Net Income	Preferred Stock % Earned	Preferred Stock % Div. Paid	Common Stock % Earned	Common Stock % Div. Paid	Surplus for Year
*1911	1,162,076	8.39	5	3.24	Nil	319,982
*1912	1,074,295	8.16	†13½	...	Nil	‡685,376
*1913	1,343,698	10.22	5	7.02	Nil	691,968
*1914	1,308,753	9.92	5	6.61	Nil	651,759
*1915	301,701	2.30	5	Nil	Nil	‡342,004
*1916	984,471	7.11	5	2.06	Nil	231,706
*1917	921,965	7.01	5	2.73	Nil	209,260
§1917	1,019,350	7.76	5	3.72	Nil	366,045
1918	1,361,016	10.36	5	7.18	Nil	708,311
1919	1,312,396	11.33	5	3.82	Nil	732,374

*Years ended January 31.
§Eleven months ended December 31, 1917.
†Including 8½% back dividends paid in warrants.
‡Deficit.

PITCH LAKE ON TRINIDAD ISLAND

Covering an area of about 114 acres with a depth of 135 feet in places, 140,000 tons of crude asphalt were shipped last year.

in the state of Utah. In order to develop these deposits the Uintah Railway Company was built by the Barber Asphalt Paving Company out of funds in its own treasury.

The Trinidad Properties

The parent company owns the New Trinidad Lake Asphalt Company, Ltd., which has title to the concession from the British Government to the Pitch Lake in the Island of Trinidad. Under the concession which expires in 1930, the company has exclusive right to remove and ship crude asphalt from the deposit. The company also independently operates deposits on lands not belonging to the Crown, but which were acquired by purchase.

This island of Trinidad is the largest producer of asphalt in the world, the chief source of supply being a "lake of pitch." The lake lies 138 feet above sea level and has an area of about 114 acres with a depth at the center of approximately 135 feet. Shipments of this lake pitch average over 140,000 tons a year and the supply is partly renewed by a constant flow of about 20,000 tons per year of soft pitch into the center of the lake from subterranean sources.

Distinct from the lake pitch is what is known as "land pitch," or the overflow in past times from this lake and other deposits of similar nature. Careful analysis of samples of asphalt taken from different parts of Pitch Lake, from deposits outside the lake and from the district of La Brea, show that these asphalts are so similar in composition that for all practical purposes they may be considered as identical in quality. It is true there is a difference in the crude materials in these asphalts; some are softer than others because they contain more of the volatile oils. Nature simply began on the asphalt outside of the lake, it being more exposed to the rays of the tropical sun which drove off the volatile oils—a necessary accomplishment to make the material fit for paving purposes. It would thus appear that part of the labor of refining has been done on the land or overflow asphalt which remains to be done with the lake asphalt.

Trinidad Pitch Lake has furnished over 85% of the asphalt used in the United States. The water is evaporated in refining and the residue which is approximately one-third clay and two-thirds hard asphalt requires the mixture of some flux or softening agent to give the proper consistency for paving operations. The surface of the lake is in constant motion and gradually lowers as the asphalt is removed.

Refined asphalt is shipped from Trinidad to Mexico, South America and other foreign countries, but owing to the very high duty on refined asphalt coming into the United States it is cheaper to refine here.

The New Trinidad Lake Asphalt Company, Ltd., also owns in fee and leases to the Trinidad Lake Petroleum Company, Ltd., over 3,000 acres of petroleum lands in Trinidad. A subsidiary of this latter company also controls and operates 2,000 acres of oil lands from the Trinidad Government.

The Venezuela Properties

In 1892 the New York & Bermudez Company, a subsidiary of the General Asphalt Company, began the importation

Photo by Brown Bros.

BREAKING OUT THE ASPHALT

The pick is used to break out the rough pieces, which are transported in baskets to the loading cars.

of a very pure and hard asphalt from a deposit in Bermudez, Venezuela, under a mining title grant for a term of 99 years.

This Bermudez Asphalt Lake covers an area of about 1,000 acres and lies some 20 miles from the Gulf of Paria. There are many springs of soft asphalt, the largest being about seven acres in area. Outside of the springs, the surface of the lake is covered with vegetation and trees which must first be removed to reach the asphalt. The quality of the asphalt varies from liquid asphalt to hard glance pitch. This crude asphalt is softer and more brittle than Trinidad crude but possesses all the essential cementitious qualities.

Another venture of General Asphalt which holds forth bright prospects, is its association with the Caribbean Petroleum Company, which owns rights on over 325,000 acres of land in Venezuela. General Asphalt has a substantial stock interest in this company and is associated in this enterprise with the Royal Dutch-Shell group, which connection provides facilities for marketing the production.

Company Expanding Newer Fields

The General Asphalt Company has been withdrawing from the business of contracting for and laying pavements. It has discarded many of its paving plants and changed its business from paving during eight months of the year to a producing, manufacturing and selling corporation engaged in all-year-round business. As much or more paving is still being done each year with the company's products, but by its customers instead of by the company itself. During this withdrawing process, paving, which used to be two-thirds of the yearly program, was reduced to 10% in 1916 and to 3% in 1919; while $2,000,000 of paving plants were written off.

In addition to the production of asphalt, the company manufactures a number of other products such as roofing, flooring felt, caulking compound, asphalt paint, mineral rubber, waterproofing saturation for canvas, etc.

On December 7, 1920, the shareholders authorized an issue of $4,000,000 8% 10-year sinking fund convertible bonds, and also an increase in the authorized common stock by $4,000,000 to provide for the conversion of these bonds. Exclusive of this proposed issue of bonds, the company has an outstanding funded debt of $2,418,038 which includes collateral loans and bonds of underlying companies. The outstanding stock consists of $7,541,100 cumulative 5% preferred and $19,617,400 common stock.

The preferred stock has preference as to assets as well as to cumulative dividends, and is subject to redemption at any time at the company's option upon 90 days' notice at 110 and accrued dividends. This preferred is convertible into common stock at the option of the holder in the ratio of $150 in common for each $100 of preferred stock.

Both the common and the preferred stocks of this company were listed on the New York Stock Exchange in 1920, previ-

(Continued on page 355)

Motorcycle Industry Hampered by High Costs

Leader in the Field Forced to Raise Price of Machine Above That for Ford Cars — Export Demand Helps Situation

By **H. L. WARNER**

THE Hendee Manufacturing Company, maker of the famous Indian motorcycle, has found the past five years pretty rough going.

Production of the company during the period has been practically stationary, sales have enjoyed no great increase, and expenses have mounted rapidly enough to force increases in the price of the product. Today the standard Indian motorcycle costs just $40 more than a Ford car, and as a result of this Hendee will find a new competitor in the market. Of course it costs considerably more to maintain a Ford than it does a motorcycle, but nevertheless there will be a great number of people who will be tempted to buy a Ford when they can procure it for less money than a motorcycle.

The recent price increase was $50 on each machine, so that the cheapest machine produced by the company sells for $440, while the purchaser must pay $480 for the standard make. Other motorcycle producers have found it necessary to raise their prices also; the Henderson machine has advanced about $40 in price and the Harley-Davidson 1921 model costs $90 more than the 1920 model.

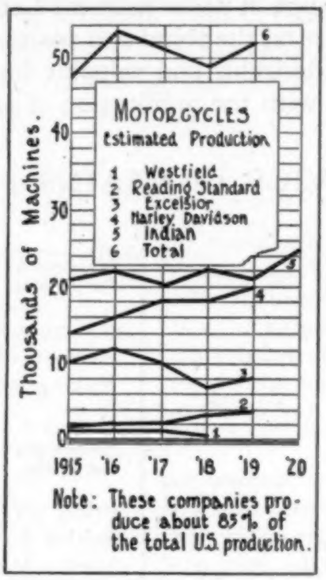
That the motorcycle industry as a whole is not thriving, is evident from the chart herewith, showing the production of five leading motorcycle companies, together with their total output (85% of the total production of the motorcycle industry) since 1915. The total output increased less than 10% from 1915 to 1919.

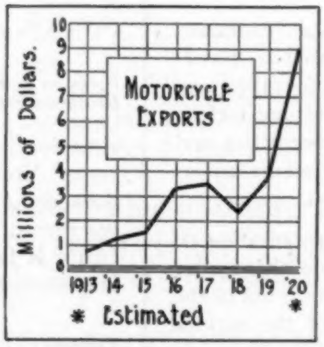
Two Redeeming Features

There are two redeeming features, however, which make the motorcycle outlook less discouraging. These are the increased demand for side cars over pre-war years and the fast growing export trade.

The orders from the War Department for side cars during the war, no doubt, were responsible for the large outputs of 1918 and 1919, while the estimated production for 1920 is nearer the normal demand. Side cars are being used more and more for commercial purposes, especially in the towns and smaller cities of the middle and far west. They are better adapted to rough roads than automobiles, and, as in the case of mail carriers, are more satisfactory than the old horse and buggy system.

American motorcycles are in great demand across the ocean, and in 1920, when exports in most other industries showed a decided falling off, motorcycle shipments broke all records. The export business of the industry is now approximately one-fourth of production. During the first eight months of 1920, 24,738 machines were exported, establishing a new record. As the total production in 1919 was about 60,000 machines, this would indicate an export trade of over 50% of the production. The Hendee Company, which makes one-third of the motorcycles produced in this country, probably exported about 11,000 machines in 1919, or over half of its production.





HENDEE MFG. CO.—PRODUCTION.

	Motorcycles	% Increase Over 1915	Side Cars	% Increase Over 1915
1915	21,170	—	3,196	—
1916	22,148	4.6	3,753	17.4
1917	20,462	3.3	5,593	75.
1918	21,840	3.2	13,340	317.4
1919	21,481	1.5	12,972	300.6
1920*	25,000	18.1	7,500	134.7

*Estimated.

History of the Company

The Hendee Manufacturing Co., which has been twice reorganized since its inception in 1901, was incorporated in its present form in October, 1913, for the purpose of manufacturing motorcycles, sidecars, parts and accessories. A total of $2,500,000 preferred stock and $10,000,000 common stock was authorized and issued, but $1,500,000 of the preferred has since been retired. For the last four years the company has had a sinking fund in operation calling for the setting aside from surplus or earnings each year of $150,000 for the redemption of preferred stock, but it has been decided to discontinue the sinking fund and not retire any more of the stock.

Hendee's chief subsidiary is the Harley Company, which operates foundry and drop forging plants. This company for the last five years has averaged net earnings of about $125,000 a year. It paid dividends on the preferred stock in 1917, 1918 and 1919, but has paid no dividends in 1920, when a deficit of $226,000 occurred. The company values its good will at $600,000.

For the five years ending August 31, 1920, the Hendee Company earned an average of $4.40 on the common stock. As there is no funded or floating debt, the only requirement ahead of the common stock is the annual dividend of $70,000 on the 10,000 shares of preferred stock outstanding.

In 1920 the earnings per share of common stock amounted to $6.50, and there has been talk of the stock being put on a dividend paying basis. This action, however, does not seem warranted, in view of the uncertain outlook for the industry.

The company has been writing down its good will, having reduced it thus far from $8,300,000 in 1917 to $5,000,000 in 1920. In 1920, $1,000,000 reduction was made in good will.

Sales in 1920

The total sales for 1920 amounted to $9,055,357, as compared with $10,815,840 for 1919, while costs of goods and expenses in 1920 were 91.7% of sales, as against 86.6% in 1919. In 1914 the operating cost was only 47%. Thus it appears that expenses are increasing more rapidly than sales. In essential industries it has been possible to keep raising prices as expenses have mounted, but this has not been possible in the motorcycle business. Prices have increased considerably since 1916, but nothing like the proportion in which costs have mounted, and the point has already been reached where the price of a motorcycle makes it an expensive luxury and puts it on the same plane as a cheap automobile.

On August 31, 1920, the net working capital of the company amounted to about $4,035,000, or $40.35 a share of common stock. This figure included $3,622,000 of

(Continued on page 362)

Announcing a Valuab and
for Investors an Busi

INVESTMENT AN BU

The Magazine of Wall Street is pleased to inform its readers of an important change in its Investment Letter. The new method of presenting advices on the trend and position of the stock market makes it the most desirable and valuable form that has ever been used in connection with the publication of any service.

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Building Your Future Income

Fourteen Obstacles to Successful Investing: No. 12—Looking Backward

WE don't know why salt was selected as the particular commodity into which Lot's wife should be turned, unless it was to indicate that she had been too fresh in looking backward; but we do know that if all investors who make the mistake of looking backward were to be turned into salt, there would be a break in the salt market from oversupply.

We have been repeatedly assured that the mill can never grind again with the water that has passed. But the average investor is constantly trying to grind again with earnings and business conditions that are past.

* * *

TAKE the late lamented case of New York, New Haven & Hartford. For years its dividends were earned by a slender margin while the condition of the road and its equipment was constantly running down.

In the meantime the stock sold at high prices—on its past record. Its certificates were hidden away in the strong boxes of thousands of conservative descendants of the Puritans.

The railroad had almost the ancient and honorable standing of those ten thousand or more carloads of furniture that came over in the Mayflower.

Perhaps some of these stockholders were merely so busy looking up their genealogy that they forgot to notice the decadence of New Haven. But more of them were looking backward in the investment sense.

They were relying upon New Haven's past; but it had to earn next year's dividends on next year's business. Its earnings in 1859 or even in 1909 did not guarantee its income in 1910.

* * *

INVESTORS look backward as regards classes of securities, as well as in considering the value of individual companies. We all know the man who stuck to the public utilities through thick and thin—mostly thin, of late years.

Their securities were based on the most elemental necessities of the public, he told us—light, heat for cooking (and everybody had to eat), daily travel to and from work. Their earnings had been more stable than those of any other class of industries, etc., etc.

His head was turned around so far backward that he couldn't see the murky cloud of rising costs rising in front of him.

* * *

THERE are styles in securities, just as there are in women's hats. The earnest follower of the fashions gets the Paris fashion papers and finds out what is coming. She aims to catch it just as it arrives on our shores.

By the time the general public begins to wear it, she is through with it and wearing something else. By the time the washlady has it, its first wearer is two or three laps ahead. By the time it gets to Muskogee, she has forgotten that it ever existed.

It's much the same with securities. Some years ago the railroads were the fashion. Then the public utility holding companies came into the limelight. They were followed by industrials, war stocks, oils.

It was a bad time to buy the rails just as the steels were coming into style, and a bad time to buy the steels when the public was beginning to turn to the oils.

The investor, quite as much as the business man, needs to catch opportunity by the forelock rather than by the tail.

* * *

SO instead of looking backward at your company's long and respectable history, look at its present and as far as may be at its future. We all see the future as through a glass darkly, but all you have to do is to see a little farther ahead than the majority.

You cannot expect to be the first to see an investment style coming, or the first to see the trend of a company's earnings change—but you can be among the first half, or in the first division. You can look forward, even though you cannot see very far.

There is a way in which it is true that we have to judge the future by the past; but what we really mean by that is that we apply to the future the lessons we have learned from the past.

That is a very different thing from looking backward.

Lessons Learned in a Decade of Investing

Five Pitfalls Encountered in the Process of Building $200 Up to $2,600—The Importance of Taking Profits

By **"B. C. M."**

WHEN I began my checkered career as an investor a little over ten years ago, I had saved just $200. That was on the first of February, 1909. To-day, after a decade of systematic saving, and what perhaps might best be described as investing and conservative speculation pursued in a rather casual way, my accumulated capital amounts to about $8,000. Of this sum, $5,324 represents the money saved out of my salary and out of the devidends received over and above interest charges. The balance of $2,676 represents the total net profits or capital gains derived from the enhancement in the market value of my holdings after charging off losses on securities which depreciated in market value.

Had I been able to catch the top of the market, or had I followed the practice of selling when I had a good profit and buying back only after sharp reactions, or had I paid less attention to the persuasive arguments of professional stock salesmen, my capital profits would have been vastly more impressive. But like most amateur traders I was not infallible, and in trying for big profits I failed to foresee the pitfalls which a more experienced trader might have avoided.

The experience, while costly from the point of view of profits lost, has not been without value to me in planning for the future.

In making most of my market commitments, I have looked for both income and capital profit. The income takes care of the carrying charges, for I have made a practice of pledging my securities as collateral for bank loans. My first market transaction illustrates my plan of operation. With my original $200 and a collateral bank loan of $810 at 4½% interest, I bought 10 shares of Swift & Co. at 101. The note was paid off in small quarterly instalments extending over a period of three years. On the first of February, 1912, I owned the stock outright and had incidentally accomplished that most difficult of feats which is supposed to confront the young investor: I had saved my first $1,000. The interest charges on my note amounted to about $69, and the dividends from the stock brought in $210, so there was an income profit of $141, which was applied to paying off the loan at the bank.

In August, 1916, I was able to dispose of this stock at a profit of $430. In about six years I had made a handsome profit, but had I held the stock longer, I would have come in for the valuable melons which Swift & Co. distributed and for the stock in the Swift subsidiaries which were distributed during the segregation process.

PITFALL No. 1.—I interpreted too literally a press dispatch denying emphatically that there were any developments pending to account for the steady rise and great strength of Swift stock. The action of the stock pointed unmistakably to some action favorable to its holders, and I should have ignored this statement as either spurious or disingenuous and held on to my stock.

The Second Mistake

My second stock commitment was one that only an inexperienced buyer would have made, and involved the purchase of stock and debenture bonds of the American Real Estate Company, for which only salesmanship could make a market. Even months before the crash came there was no market for the stock and bonds. These securities were sold to small buyers by a corps of salesmen employed by the company which issued them. In my ignorance I allowed the salesman to take my subscription first for several of the debenture bonds on the monthly payment plan and later for 5 shares of the 7% preferred stock at $100 a share. To pay for this stock I pledged my 10 shares of Swift as collateral for a bank loan. The time came when I realized the desirability of ready marketability and wanted to sell. The salesman, who had assured me that he always had a market for the stock if I wanted to sell, received my selling order with great reluctance and admitted that, at the moment, there was no market for it. The company maintained a number of branch stock selling offices in other cities, and I immediately wrote a letter to each offering my stock for sale at a discount of 15 points from par. By some miracle, my offer was accepted by one of the offices and I disposed of my stock at a loss of $75. Today the stock is worthless and the bonds have only a nominal value, although there is a good chance of some salvage when the liquidation of the company is completed.

PITFALL No. 2.—I allowed myself to be sold, by a professional salesman, stock and bonds of unproven value, without any established market aside from that which the company's own stock salesmen could make for them. The mistake drove home the wisdom of confining my purchases to seasoned securities of proven value widely dealt in by brokers of unquestionable standing.

Where the Biggest Loss Occurred

My largest loss came about as the result of what now seems to me to have been rather a wild speculation in Niles-Bement-Pond stock during the height of the 1916 war boom. All during the summer and fall of that memorable year, the local market in which all my commitments were made, had, like all other markets, seen a sensational rise. Quick turns in such war inflated stocks as Standard Screw Scoville Manufacturing Company and Niles-Bement-Pond had yielded me a handsome profit. I began to think that there was no limit to the rise and the local brokers, instead of preaching caution, predicted higher prices for the stocks in which their customers were feverishly trading.

On September 23 I bought 5 shares of Standard Screw and in less than two weeks saw it advance 57 points, so that on October 27 I took on 10 shares more of $280. On October 2 I bought 10 shares of Niles-Bement-Pond stock at $187, and on October 27 I took on 10 shares more at $199. Four days later I disposed of the 20 shares at $217.50, thereby cleaning up a total profit of $483. I should have been satisfied, but on November 6 I bought back 10 shares of Niles at $223 for a rise to at least $250, which local brokers confidently predicted. True to predictions it started upward and for one brief moment struck $235 in a market of pronounced irregularity. Between sales the price would jump or decline from 5 to 10 points. That should have been my signal to sell, but I failed to realize the pending danger. So did many others. Shortly afterwards the great break came and Niles declined sharply along with all other war stocks which had been bought so widely.

At that time any loss looked like a big loss to me, for previous purchases in that particular market had all yielded me a profit. I would not sell Niles at a loss, for it was everywhere predicted that the stock would come back eventually, so I clung to my stock during a long series of declines and brief rallies until February, 1919. The stock then had a market value of $107 a share. I had neglected chances to sell at from $210 downward, for the decline was not precipitate, simply because I believed it was not good policy to take a loss. At last, however, disgusted and determined to save what I could from the debacle regardless of what the stock might do in the uncertain future, I sold at $107 and took my loss of $1,152. Today the stock is selling just under 90, so I might have done worse.

PITFALL No. 3.—I was carried away by the gambling spirit and exercised no caution in making commitments. I was not willing to look facts in the face and take a nominal loss immediately after the break, when it was or should have been quite evident that the war boom had spent itself.

During that same war market I had made the mistake of holding other stocks which at one time would have yielded me excellent profits, because I believed that they would go higher. Of course I lost. Shortly after having purchased 5 shares each of Landers, Frary & Clark, Union Manufacturing Company, Stanley Works, and Billings & Spencer, all substantial manufacturing stocks with large war orders, I could have sold out at a profit of $625. After the great break in the market, I was glad to take a profit of $211.

PITFALL No. 4.—I was not satisfied with a substantial profit. I wanted to squeeze out the last penny of profit, and that is always unwise.

Good Profits Worth Taking

It has been impressed upon me time and again that a good profit should always be taken, no matter how high grade and promising the stock may be. Recessions are sure to occur. The trader who follows this rule may lose occasionally chances for bigger profits, but in the long run he is sure to be better off. Here is an example from my experience: I watched Travelers Insurance Company stock climb from $822 a share to $935, while I was holding 6 shares purchased at the lower figure. It was freely predicted that the stock would go to $1,000 when a stock dividend would be declared, and I decided to hold for about $950. The result was that, for over two years, I was tied up with this stock, which netted me an income of about 2% and was costing me 5½% to carry, while the market declined to around $600. To make matters worse I took on 4 shares more when the price had declined to $812.

During the past year and a half I have had a similar experience with Guaranty Trust Company stock. The opportunity presented itself to sell my holdings of this stock at a handsome profit, but I had such faith in it that I looked either for a steady rise or at least a steady market around $430-40, where it was then selling. To date my profits have melted almost 50%, for the stock is now quoted from $340 to $350. Here again I made the mistake of adding to my holdings when the stock had declined to $372. Of course this stock is bound to come back, but here was another instance where it would have been wise to take my profits, and wait for a chance to buy back after a sharp decline.

Losses are of course inevitable when one buys and sells stocks, but there is no reason on earth why one should lose profits. My experience in buying, selling, and holding 21 different securities over a period of ten years convinces me that in the long run it is always wise to take your profits when good opportunities present themselves. Reactions are inevitable and there will always be good opportunities to buy back. Don't be too anxious to buy back, but wait until the stock has had a good decline. Sometimes you will make a mistake in taking a profit, as I did in selling Swift, but I maintain that one will average better profits by selling on good bulges and waiting for substantial declines before buying again than he will by holding stocks for purely investment purposes.

PITFALL No. 5.—My failure to take profits when good opportunities occurred has militated against me and reduced my profit account. Better take a profit too soon than not to take it at all, for in buying and selling stocks it is the average that counts.

Our contributor's experiences in the business of investing differ from those of most beginners in that his first commitment was successful.

The regrettable incident, involving capable stock salesmen and a questionable promotion, was far from an uncommon one. In fact, a fine-tooth combing of the entire community would probably find only one or two persons fortunate enough never to have been caught in the same sort of net. One is reminded of the following remarks of Mr. Ingalls Kimball, quoted in a recent issue of THE MAGAZINE:

"There is no dearth of salesmen to deal in unreliable securities, in spite of the difficulty of disposing of stocks and bonds which any banker or business man would immediately pronounce worthless or questionable. Most of these salesmen are honest enough. They do their work because it pays.

"If this force could be engaged in the sale of absolutely sound securities about which there could be no question, on a basis of compensation half or even a third as great as the commission they get on their present offerings, 90% of the shyster stock selling schemes would be put out of business and the money now invested in them, plus probably twice as much again, would go into sound investment channels."

Mr. "B. C. M.'s" account of his other experiences and the lessons learned is too well done to call for any further comment from us.—EDITOR.

Some Things You Ought to Know

Explanation of Much Used Financial Terms Whose Meaning Is Not Generally Understood

CONVERTIBLE. — This term is often used in connection with bonds and preferred stocks. It means, simply, the privilege of exchanging the "convertible" issue into some other security of the same corporation. The latter may sell very much higher, and thus make the convertible privilege valuable.

Convertible bonds are often exchangeable (or convertible) into the same amount of common stock of the corporation, at the price stated on the face of the bond. Well known convertible bonds like Southern Pacific convertible 5s, American Telephone convertible 6s, or New York Central convertible debenture 6s, are all exchangeable into the common stocks of these corporations, at figures, and during the periods, stated on the bonds. In some cases the convertible privilege is extremely valuable, as in the case of Southern Pacific convertible 5s, as will be seen on reference to their price, which is usually at a handsome premium above their par of $1,000. This is because, being exchangeable for the common stock at 100, and as Southern Pacific has wide swings between 90 and 115, in the language of Wall Street, these bonds "follow the stock." Hence Southern Pacific convertible 5s besides being an attractive 5% bond like any other high class bond, has the added attraction of enabling the holder to switch into the stock at any time. Consequently these bonds have been ranging between 110 and 118 recently.

Where the privilege allows exchange into stock at a price that is very far above the market value of the latter, the convertible privilege is not immediately valuable, but it has no bearing on the security, nor takes away anything from its value as a bond. Such cases arise as in the St. Paul convertible 4½s and 5s, or New Haven 6s where the convertible privilege is at prices far above the level of the exchangeable security, namely St. Paul common and New Haven common that are a long way from par, the convertible privilege as well as the stocks are quite speculative. Yet, the bonds themselves might be cheap considered as straight investments.

Convertible bonds have a strong appeal where there is a chance of being able to convert, even ten years ahead, to advantage. The convertible bonds of the Atchison, Norfolk & Western and Chesapeake & Ohio systems are well thought of by investors, not only because the bonds are considered safe, but because of the possibility that their common stocks may one day sell at big prices, in which event the bonds would be sure "to follow the stock."

ODD LOTS — ROUND LOTS — BOARD LOTS.—The unit of trading on the New York Stock Exchange is ordinarily 100 shares, which unit is called a "round lot" or sometimes a "board" lot. Every quotation made is with the idea in mind that the special is prepared to buy or sell a "round" lot at the quoted figure,—no more, no less. A quotation of 83 bid, 83⅛ asked for U. S. Steel means that the specialist in that stock is willing to buy or sell 100 shares at those figures When 100 shares have changed hands, the transaction on the basis of the "last quotation" is completed and an order to buy or sell 10, 100 or 1,000 would not necessarily be made at the same figure because each quotation is for 100 *shares*, and quotations are made upon that merit only. A subsequent order to buy or sell 500 or 1,000 shares would naturally have to be filled upon a basis of orders in hand, or prices at which investors will buy, or for which they will sell.

An odd lot means from 1 share to 99 shares. There are few exceptions to this rule. Very high-priced stocks like Standard Oil of New Jersey and Eastman Kodak that are fairly inactive and sell in the hundreds per share are quoted on a 10-share basis, so that, in these cases, 10 shares constitute a round, or board lot, and from 1 to 9 shares would be considered an odd lot.

Buyers and sellers of odd lots, are called "odd lot dealers" and make a specialty of this business, charging no commission to their customers,—the Stock Exchange houses, who give them their orders. The dealers get their profit by a process of buying wholesale and selling retail charging generally ⅛ and sometimes ¼ point above the last quotation for stock they sell, and ⅛ or ¼ point below for the stock they buy. Their risk and detail work is greater, but their compensation is the volume of business, and repetition of small orders that aggregates a vast total.

Real Estate and Common Sense

It Pays to Pay Rent Sometimes—Seasonal Buying and Selling

By **VICTOR DE VILLIERS**

THE writer was brought into close contact with real estate conditions, and was compelled to study them for the very same reason that probably worried 90% of our readers. His conclusion on the vexing point "To pay rent, or not to pay rent" was arrived at by simple reasoning, fortified by no special knowledge beyond an ability to ask questions.

It is amazing how helpful people can be, and actually are to each other, when the inquirer admits his ignorance, and the sophisticated one knows he is well informed, and is so regarded in his community. Education in real estate costs absolutely nothing beyond a knowledge of the real facts plus the application of common sense. This, with a conservative attitude towards the future, should enable the average person to avoid many mistakes.

The years 1919-1920 witnessed a "boomlet" in real estate values and a good many people lost their heads in consequence. The landlord as well as the tenant, the buyer and seller, the holder and prospective holders scored about evenly. A real and genuine boom was prevented to a great extent by the attitude of the courts towards a few profiteering landlords, and the final "squelching" of what threatened to become a speculative orgy in city, suburban and farm values can be laid at the door of the Federal Reserve Board in 1919, and the liquidation of securities and commodities that followed since November, 1919.

To Buy or to Rent?

Let me explain this digression, and illustrate my meaning by some common understandable unit of values. The suburban detached frame cottage having a value of $5,000 in 1917 and renting for say $30 monthly became scarce in 1918. War and high wages held up new construction. The return of veterans, a boom in marriages, war prosperity, natural increase in population, new ambitions born in sudden prosperity—a hundred other things, all contributed towards raising the rent of our $5,000 cottage to $50 monthly, and its value to $7,000.

Why the increased rent? Scarcity in part, but more important than that, the increase in capital value. A boost of $2,000 in value means that much more "invested," and it makes little difference whether you sell or own at the higher figure. The owner of that cottage had his option of cashing in for $7,000 and reinvesting the latter sum in bonds, stocks or other securities; or he could make the tenant give him a return on his extra $2,000. The extra rental of $20 monthly or $240 yearly represented 12% gross—not on the entire investment of $5,000 plus $2,000 accretion in value, but on a relatively small portion of the whole. This 12% seems a monstrous rate by any other reasoning save common sense, if one ignores the temporary character of that rate, the high interest money was commanding, the low price of gilt-edge bonds, and the increased cost of maintenance and improvement.

Of course, many landlords did not figure up the economics of the thing by mathematics or their conscience. They just "boosted" while the boosting was good, and the courts complacent.

Yet, it was not advisable during such artificial periods to cure the evil by the equally unsound method of "buying to save rent" on the ground that being the owner the high rent will go into one's own pocket, while forgetting that an unreasonable capital investment during an inflated period is worse than a temporary spell of pinching to pay burdensome rentals.

There is a happy medium between paying rent *temporarily* until prices for homes come down, and rushing in to buy *permanently* to avoid a year or so of oppressive conditions imposed, partly or wholly, by the landlord.

It never can, and never will pay the average person to become a permanent rentpayer. Let us try and reason it out somewhat along the lines of the "Expectation of Life" used by insurance companies in making up their tables of premiums on life policies. There also the factors of risk, profit, loss, or reward have to be nicely balanced or the insurance company would go broke, the widow and children would starve, and nobody would get the benefit.

Taking $50 monthly as the normal average American family budget, and about 20 years as the minimum average rentpaying period for the aforesaid family, the staggering sum of $22,071 is paid out in capital, with interest compounded semiannually at 6% by the family that hoped to escape the burden and responsibilities of ownership! Over $20,000 has been paid out in rent and nothing to show for it excepting a stack of musty receipts. Still further, at this late stage, lies the hope that our chronic rentpayer may own a "stick or stone to call his own." No subtle reasoning will down the unsatisfactory outlook of being compelled to pay on indefinitely, and to spend in rent in a lifetime enough to buy a string of homes.

The conclusion is irresistibly against paying rent—and for owning a home, by hook or by crook (interpreting the latter liberally and not literally).

There can be two excuses against it, lack of initial capital, the wrong time to buy.

Buying in Season

Like the stock market or the commodity market, real estate has its bull and bear swings that are not difficult for anyone to recognize. When rent is high conditions are good, when rentals are abnormal there is surely a bull market in real estate, and it is often better to put up with the temporary annoyance of pesky landlords and pay rent—even a high rent, if sellers of our $5,000 cottage are now refusing $9,000 to $10,000 for it. Permanent rising markets may be possible in business sections of the cities where more land is no longer available, but this condition seldom endures in suburban home sections, with the constant progress of new "developments," rail, trolley, and traction expansion, and the comparative ease with which new residential "sections" can displace the old. In brief, there is no need to climb for homes, and the higher the rentals go, the greater the ground more often for suspicion that such conditions are not permanent. The new artificial values and high returns destroy the very thing such conditions hoped to create. Big rents and high prices attract speculators who soon commence to fall over each other in their anxiety to build quickly and garner profits overnight. The instability both of the boom and the buildings they create, alike engender disgust in the new owners and intended purchaser, with the result that we reach the condition that now exists.

A silent strike is now on between the rentpayer, the builder and the landowner. The rentpayer is reconciled to his fate and is holding out stubbornly for lower prices before buying. Most of us know now or suspect, that we have been the victims of many conspiracies to make us pay "through the nose" for every thing that went into building from cellar to garret. The community, as a whole, has the money to buy but is now going to the other extreme; it is determined to buy at the bottom rather than at the top, and take no more chances.

Such an attitude is conservative, and the writer believes that the public attitude is compelling an era of reasonable prices for material and labor where it will pay the average rentpayer to get busy with his architect and build to avoid that waste of $22,071 in the next twenty years. It cannot pay the average family that possesses ordinary intelligence and no money to waste, to buy a ready-made home through the ordinary speculative building channels. The profits are not less than $1,000 per home and range as high as $3,000 on ordinary dwellings, and there is no earthly reason why this profit should not be saved.

I also believe there will be many bargains in the market by next spring, as many homes were purchased between $9,000 and $14,000 on a mere shoe-string of a cash-deposit, with a mortgage and upkeep bill that will not be commensurate with the income of many buyers of the last two years. Money for mortgage purposes on a liberal and fair valuation will probably flow more freely in the next year or two, and this will give the average steady family with good income, and some initial capital, an excellent chance to pick up ready-made homes at a substantial discount from former selling prices. In some cases, this would be an improvement on building, with its worries, and the mistakes that may arise through lack of knowledge of the subject.

Have You Insured Your Employees?

Liability Insurance Will Protect Your Firm Against Damage Suits—What the Rates and Provisions Are

THE proposition of compensating workmen from loss resulting from accidents while performing services is of comparatively recent origin. Legislation has brought it about,—legislation responding to the demands of the people.

The principal branch of the liability laws is the Workmen's Compensation Act. This means compensating a workman or his dependents by an industrial concern for any loss due to injuries suffered because of his connection with the particular industry. There are over thirty Workmen's Compensation Acts in this country, and there is a different expression in each one as to the compensation idea. They differ in respect of the amount of compensation, in the method of administration and in insurance requirements. Added to these different laws are the decisions of courts of last resort of the States and Federal courts. Consequently, only general, basic statements can be employed in a short article like this.

Permanent Injury Schedules

Here is an average schedule for permanent disability, with the compensation allowed:

For the loss of a hand, 50% of wages for 175 weeks.

For the loss of an arm, 50% of wages for 215 weeks.

For the loss of a foot, 50% of wages for 150 weeks.

For the loss of a leg, 50% of wages for 215 weeks.

For the loss of an eye, 50% of wages for 125 weeks.

For the loss of any two or more of such members, not constituting total disability, 50% of wages during the aggregate of the periods specified for each.

Benefits for temporary or partial disability are usually fixed by applying the percentage used in cases of total disability to the loss in earning power which may be attributed to a compensable injury.

Every employer is liable to be obliged to pay his employees for injuries. If he denies compensation he may have a lawsuit on his hands. Quite naturally, therefore, the matter of insuring employees was referred by most employers to a third party—the insurance companies. The services that these companies can give relieves employers of the worry and expense incident to complying with the law.

The contract prepared by the insurance companies is calculated to relieve the employer of the financial consequences of injuries sustained by the workmen.

The Workmen's Compensation Insurance Contract, however, is different from the Employer's Liability Contract. It is an agreement made with the employer to pay indemnity to the workmen or their dependents, according to a compensation act which is always considered a part of the policy contract. All employees are covered, and there are no limitations on the amount payable or the location covered, except those limitations expressed in the law. Therefore the state is really a party to the insurance.

Rates

The matter of making rates is a difficult task, for Workmen's Compensation Insurance is comparatively young. There are three kinds of rates—the manual rate, applying to a given industry and a given state; the schedule rate, which is a modification of the manual rate made to conform to the conditions in a certain plant, and the experience rate, a modification of the manual rate based on the experience concerning the loss sustained in a particular nature of risks.

The premium based on the records of the past is difficult to fix, because it must vary according to the statutes in the different states, and also the Federal statutes. A pure premium is expressed in terms of units of $100 a payroll. It is the amount that will be paid to injured workmen or their dependents on account of accidents occurring during the period which the payroll covers, for each $100 of payroll spent during that period.

> **QUESTIONS THIS ARTICLE ANSWERS:**
>
> *(1) Are all employers of labor liable in case of injuries suffered by their employees in line of duty?*
>
> *(2) What is the average schedule of compensation?*
>
> *(3) How are the rates determined?*
>
> *(4) How can the probable cost of accidents be computed?*
>
> ***More detailed information may be obtained by inquiries addressed to our Insurance Department.***

To illustrate, let us assume a yearly payroll of $1,000,000. Minor accidents occur which will give $10,000 to the injured, and one serious accident occurs which will give $6,000. The total benefits to the workmen are $16,000, and the pure premium is $16,000 divided by ($1,000,000 divided by $100) or $1.60.

Let us assume that the payroll for the next year is $8,000,000, that the amount paid for minor accidents is $8,000, but that no serious accident occurs. The pure premium will be $8,000 divided by ($8,000,000 divided by $100) or $1.

This produces a drop in the pure premium for the second year, under the first of 37½%. If we now add the payrolls and costs of the two years together, we get a payroll of $1,800,000; $18,000 for minor accidents, and $6,000 for serious accidents. The pure premium now becomes $24,000 divided by ($1,800,000 divided by $100) or $1.33+. This is a closer approximation to what the average pure premium will be in the long run, than that of either year alone, because the exposure (payroll) is greater, and the exposure acts as a "flywheel," tending to keep the pure premium from varying. The larger the exposure the smaller the variation in pure premium.

Computing Cost of Accidents

The probable cost of 100,000 accidents under a compensation schedule may be found by computing the payments which would be made on account of each proof of death or disablements, the result being expressed in terms of weekly wages. A comparison of the Massachusetts Schedule will serve as an illustration. If it was found that 100,000 accidents in Massachusetts would mean payment of 500,000 weekly wages, while in Oklahoma the cost would be 600,000 weekly wages, then the cost in the latter is 20% greater than in the former, and the loss experience in Massachusetts, multiplied by 1.20, will give the loss experience in Oklahoma.

In New York all risks which show a completed period of insurance under the New York Act of two years or over are subject to experience rating, provided they have produced an earned premium of at least $500 for the two years and, in the case of manufacturing risks, have a payroll exposure of at least $100,000. For contracting and public service risks the minimum payroll is $50,000. The past experience of such risks serves as a basis for determining the multiplication in rates to be applied for the renewal effective June 30, 1916, or thereafter. This rule is merely and solely for the purpose of fixing an experience rate for the future.

Every employer, no matter how many employees he has or how much he pays them, is subject to the action of the Workmen's Compensation Law, and is a candidate for compensation insurance. To show how far an employer's liability may extend, in the interest of the employee, the State Industrial Commission of New York has just recently decided that a messenger of a bank who was killed while walking on the street in the recent Wall Street explosion was entitled to compensation from his employer.

IMPORTANCE OF INSURANCE

"In one or the other of its specialized forms insurance must go with every consignment of goods whether on land or on sea; it is necessary to protect the life and limb of all engaged in handling the goods; it is needed to guarantee the fidelity of those intrusted to collect and account for such goods. Any merchant or manufacturer or shipper who does not provide himself with insurance against the various perils that beset his values from the beginning of their production to their final delivery is a peculiar being with restricted credit and reduced chances of success."—President Edson S. Lott, U. S. Casualty Co.

Public Utilities

Bonds and Stocks

How to Improve Your Position by "Switching"

Various Public Utility Securities Considered—Reasons for Exchanges

By D. J. RIORDAN

OF the various classes or groups of securities in which the ordinary investor is interested, none, perhaps, require closer watching than the so-called public utilities. The reason is that these are governed more generally by local conditions than by those factors which ordinarily operate to raise or depress business and industry, as a whole. Major price movements in the steel stocks, for instance, are largely, if not entirely, governed by general conditions, so that what affects one company favorably or adversely usually finds its reflection in the steel group as a whole. Whether it be over-production, or tariff agitation, a shortage of railway equipment, or a periodical let-up in the demand for steel, such as the country is now experiencing, or all combined, the effect is the same in practically all cases, so that aside from the usual troubles with labor, which, in the case of most American steel manufacturing concerns, are mostly local in both extent and origin, since the steel workers are not closely organized in this country, the factors which govern the price movements of steel securities are for the most part of general application. The same is to be said of the coppers, the equipments, the sugar stocks, the leather shares, and the oils to a certain extent, although these also are, of course, largely affected by local conditions, mostly geological.

The public utilities, on the other hand, are almost entirely governed by local conditions. It may be due to the generally hostile attitude of the public served that the utility in question is barely able to earn its fixed charges, or, as in the case of the unfortunate utility companies serving greater New York, the adamant opposition of the governing authorities to any relief from intolerable burdens through increased rates and fares, may be the rock upon which the companies are meeting disaster. It may be due also to litigation over franchises and rights of way, to diminishing population, to the intractability of employees, to official mismanagement or to blunders of engineering, that the utility at last finds itself a hopeless wreck. But in ninety-nine cases out of a hundred, local rather than general conditions are responsible for the average utility company's prosperity or adversity.

Thus, it is imperative that a holder of public utility securities, if he would avoid financial pitfalls, keep always in touch with local conditions in so far as they affect the company in which he may be interested.

In studying comparative values of public utility securities, one would do well always to keep in mind the principle that the company whose activities cover several departments of public service ordinarily is to be preferred, all things being equal, to one performing a single kind of service. For example, the securities of a company supplying electric light, heat and power, as well as street railway service, are generally to be preferred to those of one furnishing street railway service alone. On the same principle, a company supplying illuminating gas and water in addition to electricity and transportation, ordinarily is to be preferred to one furnishing electricity and transportation only. Of course, this principle does not hold good in all cases. Some hydro-electric concerns, which only furnish electric light, heat and power, and do not operate traction lines or supply illuminating gas, are entitled to a much higher financial rating than many utility companies operating in a much broader field of activity, and by the same token their securities are generally regarded by the investing public with greater favor. But as a general thing, the securities of utility companies enjoying a wide scope of activity are entitled to a better rating than those of companies whose activities are restricted to one form of activity or another. This, at any rate, is the guiding principle governing the following recommendations with respect to switching from public utility stocks of doubtful standing to others of seemingly greater safety and better promise for both the immediate and the more remote future.

Brooklyn Rapid Transit—United Rys. Investment Common

BROOKLYN RAPID TRANSIT. This stock has back of it practically no equity in property, and as the company is now in the hands of a receiver, in the event of a reorganization, the stock is likely either to be wiped out or subjected to a heavy assessment. If there was the least ground for hope that the company would be able eventually to work out of its difficulties, there might be a future for the stock, but the company's earnings under the present system of collecting fares, are miserably poor, a deficit of $686,725, after meeting the fixed charges on the company's prior lien bonds, having been reported for the 12 months ended June 30 last, and so long as the present City Administration remains adamant in its opposition to any increase in street railway fares, not much improvement can be expected for another year at least. As a matter of fact, there does not appear to be any hope for the stockholders. A fare increase granted to the company would in all probability be based on a physical valuation of its properties, in which case the position of the common stock would be brought out; in other words, the stock would be shown to have little or no value.

UNITED RAILWAYS INVESTMENT common would appear to be a likely switch from Brooklyn Rapid Transit. The company owns the majority of the stock of the Philadelphia Company, and also the United Railroads of San Francisco, the Sierra & San Francisco Power Co., and several other minor properties, all of which are doing well now and may be expected to do much better in the years to come. The company, at any rate, is able to show something earned over expenses, which is more than can be said of Brooklyn Rapid Transit, and while the equity of the common stock in the property is not a large one, yet the company's earnings are constantly improving, and the position of the stock will undoubtedly reflect this improvement as time goes on. Of course, dividends on the common stock are a long way off, but remote as they are, it is a fairly safe prediction that the stockholders will receive some return on their investment long before anything is distributed on Brooklyn Rapid Transit as at present constituted.

Brooklyn Union Gas—Pacific Gas & Electric

BROOKLYN UNION GAS. Although this company recently received from the courts permission to charge an increased rate for its product, and while its gross earnings will probably show substantial improvement over those of last year, nevertheless this improvement will be largely offset by increased fuel costs and wage scales, so that the company will do well this year if it comes out even after meeting its fixed charges. Last year it reported a deficit, after charges, of $706,848. To be sure, the stock has a good equity in property back of it, as evidence has been presented to show that present cost of plant and property, exclusive of the properties of its five subsidiary companies, are somewhat in excess of $73,000,000, against a total bonded indebtedness of $17,000,000. In other words, the reproduction cost of the company's properties would be about three times

the par value of the $18,000,000 stock outstanding. However, the outlook for dividends on this stock is far from promising, with wages and fuel costs holding up in the face of drastic declines in other commodities, and so a switch to PACIFIC GAS & ELECTRIC common stock, which is now selling about 5 points below Brooklyn Union Gas, would seem advisable.

This stock, which is now selling in the neighborhood of 44, and paying 5% annually, yields, at the present price, about 11⅓% on the investment. But more important still, the company is not only earning its dividend, but is earning it with a good margin to spare. Current earnings, which are much better than for any recent year, are estimated to be about $9 a share on the common stock for the present year. The company is now paying $1,000,000 annually into a special reserve fund by order of the California Public Utility Commission. The order will be enforced until the end of 1922, but thereafter this additional amount will be available for common stock dividends, so it is not impossible that a somewhat higher dividend will be disbursed within a year or two from now. At any rate, this is more than the Brooklyn Union Gas stockholders can reasonably hope for during the next year or two.

Interborough Cons. Pfd.—Gen. Motors Common

INTERBOROUGH CONSOLIDATED PREFERRED. —Like Brooklyn Rapid Transit, this stock has little or no equity in property and has but small chances of recovery. The 4½% Interborough Metropolitan bonds are now in default, while, in fact, the interest on the prior lien bonds, that is, the Interborough Rapid Transit 5s, is not being earned, and as these interest requirements must be met before any funds whatever accrue to the preferred stock, the position of the latter is therefore very poor. Were there any possibility of an increase in the near future in street railway fares on the lines operating within Greater New York, there might be some basis of hope for the property. But as long as the present City Administration continues in power the outlook for any increase in rates is exceedingly dark. In a report recently submitted to the Federal Court sitting in New York, engineering experts pointed out that the Subway and Elevated lines of the Interborough system failed to earn their fixed charges during the fiscal year ended June 30th last by some $8,750,000, and demonstrated at the same time that even an 8-cent fare would not, prior to 1922, provide any substantial surplus over bond interest and the city's preferential. These experts further declared that nothing less than an 8-cent fare, with a charge of 2 cents for transfers, would provide a sufficient margin above mere operating expenses and taxes to permit of the operation of the surface lines as one system, with reasonable provision for upkeep, but as the City Administration apparently cannot be budged from its opposition to increased fares—probably less so today than ever, in view of next year's mayoralty election—the company will do well to escape receivership. In fact, it is even now on the verge of such a catastrophe. So it is by no means certain that the company will not have to be reorganized and the stockholders either heavily assessed or lose their investment entirely in the event that the stock should be wiped out under reorganization.

In view of the fact that so few utilities selling near the price of Interborough Consolidated preferred can be recommended with any assurance of ultimate profit, it might be advisable in this instance to switch to one of the more promising industrials, such as GENERAL MOTORS common, for instance, which is paying a good dividend ($1 annually in cash, besides one-tenth of a share in stock), and will undoubtedly enhance in value as soon as the automotive industry shows the first definite signs of permanent recovery. Of course, it is not likely that the quarterly stock dividend of one-fortieth a share on the common stock will be continued indefinitely. Quite likely the directors at the forthcoming meeting will omit the stock dividend. However, it is a reasonable assumption that the present price of the shares has already fairly discounted this development, in which case not much of a decline may be expected. However, at the present price, the stock returns a very fair rate on the investment, which is more than Interborough Consolidated stockholders can hope for for a long time to come.

Laclede Gas—Consolidated Gas

LACLEDE GAS LIGHT CO. OF ST. LOUIS. —This company has been one of the worst sufferers in the public utility field from the burden of ever-increasing operating costs. For many years the common stockholders received dividends at the rate of 7% per annum and in each year a tidy sum was carried to surplus over and above these payments. in the Summer of 1919, however, it became necessary to suspend dividend payment on the junior shares, and they have not been resumed as yet. Nor are they likely to be resumed in the near future, unless the company's application for a flat rate increase of 40% in gas rates is granted, which is quite improbable as the Public Service Commission of Missouri is known to be not too favorably inclined toward the proposal. The most that the company seemingly can hope for is permission to charge the maximum rate of 85 cents a thousand feet for its product, but even should this rate be permitted to continue indefinitely, the company's earnings, according to its own estimate, would not be sufficient to permit of any substantial dividend payment on the common stock, for in a report covering the 12 months ended July 31st, last, the company estimated its surplus earnings for the period, on the basis of the maximum rate of 85 cents per thousand cubic feet, as about $510,000. After preferred dividend requirements, this would be equal to about $3.60 a share on the 107,000 shares of common stock outstanding. Very probably the company will make a much better showing for the 12 months subsequent to July 31st, last, as there is reason to look for some improvement as a result of declining commodity prices and wage scales; but the company is so greatly in need of new capital for improvements and extensions that it will probably be some time before dividends on the common stock are resumed.

As CONSOLIDATED GAS OF NEW YORK is now selling at about double the price of Laclede Gas Common, a holder of the latter would probably fare much better in the long run by disposing of his shares and investing the proceeds in one-half the number of Consolidated Gas shares. This stock is well protected, both as to assets and earnings, and the present dividend rate of 7% per annum seems secure. If the decree of the Federal district court in New York, freeing the company from the 80-cent gas law and permitting it to charge $1.20 per 1,000 cu. ft. of gas, is allowed to stand, and there seems no reason to doubt that it will be, the company's earnings during the next 12 months ought to run well over $15 a share on the $100,000,000 capital stock outstanding, so there is even a possibility that the 8% dividend rate paid by the company in the heyday of its prosperity, when the stock sold above $240 a share, will eventually, and perhaps at no distant date, be restored. At any rate, the asset value of the stock is considerably more than what the stock is now selling for, and one who buys it at current prices certainly can count upon a good profit sooner or later.

Detroit Edison—Brooklyn Edison

DETROIT EDISON COMPANY common stock. Although this company has an excellent record of earnings and dividends, and while the stock is entitled to a good rating, yet there is reason to fear lest the present depression in the automobile industry and the resultant loss of population to the city of Detroit will sooner or later find reflection in a considerable reduction in the company's earning power. For the coming year the company will have outstanding additional 8% debentures to the extent of $5,500,000. This will increase the fixed charges $440,000, and will jeopardize the dividend on the stock if the company's net earnings are not improved. When the automobile business returns to more normal operations, and the company's operating expenses show a greater tendency to decrease, the stock doubtless will enjoy a corresponding improvement in position. But at the moment the stock does not seem to afford much opportunity for profit at the current price, around $90 a share, and so it might be advisable to switch into BROOKLYN EDISON Co. common, which pays the same dividend, namely, 8% per annum, and is now selling about 5 points below Detroit Edison. Despite the high cost of fuel and petroleum last year, and the very substantial increase in wages granted to employees, the company's earnings, after charges and taxes, showed material improvement over 1918, and last year about $10.50 a share was earned on the capital stock,

as compared with about $9.25 a share earned in the previous year. Moreover, the company's business outlook is much more favorable than that which seemingly faces DETROIT EDISON. Recently the company was allowed by the Public Service Commission of New York to add a surcharge based upon the increased cost of coal used in the generation of electricity. This will insure a further substantial increase in earnings. Finally, the territory served enjoys a greater diversity of industry than that served by the Detroit Edison Co. and so the demand for power is not likely to show anything like the falling off that is expected to affect so seriously the earnings of the Michigan utility. All things considered, therefore, Brooklyn Edison's outlook is quite favorable, and even though the proposed switch may not prove immediately profitable, nevertheless something may be gained in the way of greater security by those adopting this suggestion.

United Gas Improvement—United R.R.s of San Francisco 4s

UNITED GAS IMPROVEMENT common. This stock, which pays 4% per annum on shares of $50 par value, is now quoted at 28 to 30. Since 1889 it had paid regular dividends, at the rate of 8% per annum, with occasional extra dividends, until December 8th, last, when poor earnings, together with a rather uncertain outlook, made a reduction in the rates imperative. In recent years the company's earnings have declined steadily. In 1916 its net income amounted to $7,269,331, after all expenses, taxes, etc.; in 1917 it dropped to $5,915,505, and in 1918 to $5,096,509, with the result that after dividend payments of 8% there was a surplus of only $214,125 left.

Last year the company's net income dropped to $3,785,340, and after the usual dividend payments there was a deficit of $1,097,044. For the present year the showing will probably be worse, owing to the company's extremely unfavorable contract with the city of Philadelphia embodied in the lease on the city gas works. President Bodine recently estimated that the company will have to stand a loss of $2,654,089 on the operation of the municipal gas works this year. Thus, unless the company succeeds in getting the city to modify the lease, or split some of its $5,000,000 annual income which the city derives from its lease of the gas works, it is doubtful whether even the present dividend can be maintained for any considerable length of time.

In view of the fact that most holders of United Gas Improvement stock have sustained large paper losses on their investment, the writer suggests, as a likely means of recovering such loss, a switch to the General Mortgage Sinking Fund 4% Certificates of the UNITED RAILROADS OF SAN FRANCISCO, which are now selling in the neighborhood of 27. The company is now being reorganized, and under the plan of capital readjustment, the 4% certificate holders will receive 15% of par value in 1st mortgage bonds of the reorganized company, 50% in 6% prior preference cumulative stock, 5% in 1st preferred 6% stock, 10% in 2d preferred stock, and 20% in common stock, which plan involves a scaling down of capital liabilities from $82,413,600 to $47,973,000. The latter figure would be somewhat less than the appraised valuation of the property, namely, $52,000,000.

Recently the Public Utilities Commission of California issued an order to the effect that under present monetary conditions the utilities are entitled to charge fares and rates sufficient to produce a return of 9% on property. If this principle is literally applied to United Railroads the latter should have an operating income of $4,680,000, at least, during the coming year, or more than double the company's actual operating income for the year ended June 30 last, namely, $2,296,743, which amount was sufficient to cover all charges and taxes and leave a balance of $148,539 for the stock. In other words, had the Public Utilities Commission principle been in operation last year, the balance available for the stock would have been over $2,500,000 instead of the amount actually reported.

There is another possibility, however, that prospective investors might do well to consider in attempting to estimate the speculative value of the reorganized company's securities, and that is the possibility that in accordance with the popular mandate expressed at the November election, the city may take over the property and issue in payment therefor the city's own obligations. Bankers interested in the company figure that if the city buys the lines and issues 4% municipal bonds for United Railroads 4% certificates, the latter should have a market value eventually of about 80. If, on the other hand, the city does not purchase the line, the securities to be exchanged for the 4% certificates under the plan of reorganization should have a market value of about 50. Obviously, in either case the company's 4% certificates have a very considerable speculative value, aside from their investment worth, and nervous holders of United Gas Improvement stock might do well to consider the desirability of the proposed switch.

Third Avenue-Interborough Met. 4½s

THIRD AVENUE RAILWAY. This stock is now quoted in the neighborhood of 12, and seems to be in a hopeless position. After allowing full interest on the company's adjustment income 5% bonds, the interest on which, by the way, has not been paid since June, 1917, the company has been operating at a loss, having reported a deficit of $1,642,326 for 1917, one of $456,503 for 1918 and one of $665,814 for 1919. Gross earnings for the present year have, it is true, shown some improvement, but this has been more than wiped out by increased operating expenses, so that the present year's showing doubtless will be poorer than that of last year.

In all probability the company will sooner or later have to be reorganized, in which event the stockholders doubtless would be subject to a heavy assessment. There is a possibility, of course, that the company will eventually be granted permission to increase its fares, but as intimated above in the case of Brooklyn Rapid Transit and Interborough Consolidated, it will probably be a considerable time before such permission is granted. Meanwhile, the company is getting deeper and deeper into the hole.

INTERBOROUGH - METROPOLITAN COLLATERAL TRUST 4½% BONDS, which are now selling in the neighborhood of 15, would appear to have somewhat better speculative possibilities and to offer holders of Third Avenue an opportunity to recover some part, at least, of their loss. These bonds are secured by pledge and delivery to the trustee of $32,912,800 out of $35,000,000 stock of the Interborough Rapid Transit Co., or at the rate of $200 in bonds for each $100 of stock pledged. The bonds defaulted April 1, 1919, after a receiver had been appointed for the Interborough Consolidated Corporation, the cause being the passing of dividends by the Interborough Rapid Transit Co., which income was necessary to maintain interest payment on the bonds.

Whatever may happen to Interborough Consolidated stockholders in the event of a drastic reorganization of the company, the Interborough Rapid Transit Co., which operates the most profitable part of the subway system of New York, would probably be kept intact, although a reorganization would conceivably entail a cutting down to some extent of the company's capital liabilities. But whatever the outcome, holders of the collateral 4½% bonds would probably fare much better under reorganization than would THIRD AVENUE stockholders if their company were reorganized. It may be pointed out, in this connection, that a sharp decline in commodity prices is bound to have a favorable effect on the earning power of Interborough Rapid Transit Co., and even though it may not obtain authority to increase its fares, it may yet avoid receivership and gradually work back to its old-time earning capacity. Of course, it would be too much to expect that Interborough Rapid Transit stock, which constitutes the security back of the 4½% bonds, will soon get back to its former high level of $200 a share, but that the stock is really worth considerably more than the present price of the bonds would seem to indicate can hardly be open to question.

WHEN THE MONEY SHORTAGE WILL BE RELIEVED

There is a capital-scarcity just as there has been a sugar shortage. Overcoming the scarcity of sugar in this country was achieved by making the shipment of sugar to this country highly profitable.

The scarcity of savings will be overcome when those whose business it is to gather savings and those whose business it is to induce investment find dealings with the small investor highly profitable.

Until that time, the savings banks and other institutions for the safeguarding of money will continue as they have in the past to provide facilities for its safeguarding but to make no effective effort to stimulate systematic savings deposits or systematic small investment.—*Ingalls Kimball, President of National Thrift Bond Corporation.*

Investors' Indicator of Public Utilities

The dividend rate given covers regular declared dividends on yearly basis. Extra or stock dividends are noted from time to time in the comment column on the right, which also summarizes important price-affecting factors. The yield on price is based on regular dividends and the last reported sale or bid price before going to press. Latest bid price given in column headed "Recent Price" in preference to a very old sale. A minus sign before earnings column indicates a deficit for the year in dollars per share.

INTENDING PURCHASERS should read all notes carefully and consult "Financial News and Comment." It is also well to consult our Inquiry Department.

	Price Range 1916 to Date		Recent	Present Div.	Yield on Recent	Dollars Earned Per Share					Earned 1919 Fiscal Year on Recent	
	High	Low	Price	Rate	Price	1915	1916	1917	1918	1919	Price	Remarks
Amer. Lt. & Trac	401	92	92	$7†	7.7	24.6	25.6	20.9	14.4	13.6	14.8	Gross earnings of subsidiaries showing increase, net slightly lower.
Amer. Power & Lt	70	45	*58	4	6.9	4.2	6.4	4.6	4.9	6.4	11.0	Little affected by poor conditions among other public utilities.
Amer. Pub. Util	47	8	*5	0	0	3.8	5.3	7.1	—0.6	—12.0	0	Situation somewhat better than a year ago.
Amer. Tel. & Tel	135	91	95	8	8.4	9.5	9.8	9.5	9.9	10.0	10.5	Doing largest turnover in history.
Am. W. W. & El. 1st pfd	..	36	*42	7	16.6	9.5	10.1	12.9	10.7	8.0	19.1	Financing relative to liquidating accrued dividends progressing satisfactorily.
Bklyn. Edison	131	83	85	8	9.4	11.6	11.8	8.8	9.2	10.4	12.2	Business increasing steadily.
Bklyn. Rapid Transit	93	9	10	0	0	7.4	7.5	6.9	5.5	2.0	20.0	Company needs higher fares.
Cities' Service	488	100	234	6a	2.6	15.2	36.7	60.7	61.6	39.1	16.7	Record year credited for 1920.
Columb. Gas & Elec	69	14	55	5	9.1	0.7	2.3	5.8	6.4	6.5	11.8	Increasing its oil operations.
Com. Pr. Ry. & Lt	67	17	*9	0	0	7.4	8.8	5.7	—0.7	7.2	80.0	Is increasing plants and equipments.
Cons. Gas of N. Y	145	72	75	7	9.3	9.2	9.0	7.1	5.7	4.0	5.3	Court allows increase from 80c. rate to $1.20.
Detroit Edison	149	91	95	8	8.4	13.7	14.6	10.3	9.0	9.7	10.2	Stock an attractive investment; recently granted higher rates.
Detroit Unit. Ry.	128	70	*85	8	9.4	15.7	23.0	14.5	13.0	15.8	18.6	Increased fares to help earnings. Proposed competition by City.
La Clede Gas Lt	119	33	39	0	0	9.2	11.2	8.6	4.5	1.3	3.3	Adversely affected by increased costs.
Mackay Co.	91	56	56	6	10.7	5.4	6.4	6.0	6.0	6.1	10.9	Affected by sharp competition and possible rate war.
Montana Pr.	115	47	48	3	6.2	3.7	8.5	7.0	8.2	4.3	9.0	Operations for 1920 year should reflect better conditions.
North Amer. Co.	76	37	51	5	9.8	6.1	7.3	6.0	5.4	8.6	16.8	Subsidiary develops large coal mine.
Pure Oil Co. (Par $25)	144	30	32	2‡	6.3	1.9	2.3	6.1	7.5	5.3	16.5	Formerly Ohio Cities Gas; the oil operations show 40% increase over 1919.
Pac. Gas & Elec	72	29	46	5	10.9	10.5	9.1	5.6	5.2	5.9	12.8	Treasury position very strong; granted rate increase recently.
Pac. Tel. & Tel	44	17	38	0	0.6	1.2	1.2	1.3	2.0	—0.6	0	Makes important improvements.
People's Gas Lt. & Coke	118	27	33	0	0	8.4	5.4	—0.9	—3.5	0.2	0.6	Unfavorably affected by municipal regulation.
Phila. Co. [Pitts.] (Par $50)	47	21	33	3	9.1	4.4	5.1	6.2	4.2	3.2	9.7	Oil department in very favorable position. Earnings show increases.
Pub. Serv. Corp., N. J	137	53	53	4b	7.5	7.9	11.8	7.9	6.1	1.8	3.4	Gas subsidiary recently increased rates.
Rep. Ry. & Lt	39	8	*5	0	0	3.0	3.6	5.9	—3.0	—1.0	0	Earnings improving. Subsidiary granted fare increase.
So. Cal. Edison	91	73	*85	7	8.2	6.7	8.6	8.0	7.4	7.2	8.5	Rate adjustment to offset high costs.
Stand. Gas & El. pfd. ($50)	43	34	*30	4	13.3	3.1	5.0	3.7	3.3	8.0	26.8	Oil subsidiary proving very profitable. 1920 earnings to show increase over 1919. Present rate the full 8% in cash.
Third Ave. Ry	69	9	13	0	0	4.2	6.0	—10.0	—2.7	—4.3	0	Earnings continue unsatisfactory.
Twin City Rapid Transit	99	27	36	2½	7.0	6.8	9.2	6.0	2.2	2.6	7.2	Increase of fare to help earnings.
United Lt. & Ry	55	16	*15	0c	0	2.4	4.4	4.2	—0.4	6.0	40.0	Upward tendency in earnings. Subsidiaries' customers increase.
United Ry. Inv., pfd	40	10	18	0	0	3.1	3.5	4.5	3.4	3.2	17.8	To benefit by prosperity of subsidiaries. Reorganization of subsidiary will strengthen company.
Western Power, pfd.	79	46	58	6d	10.3	8.4	9.6	9.4	11.9	17.3	30.7	Heavy demand for output in this territory.
Western Union Teleg	106	76	83	7	8.4	10.2	13.6	14.4	11.6	13.1	15.8	Direct service to South America to be of great benefit. Earnings good.

‡Also 8% in stock payable quarterly. †Stock extra 7%. a Paid 12% in stock in 1919, 10% in 1920. b Omitted last quarterly dividend in 1919. c January, 1920, dividend passed. d Dividends accumulated 12½%. * Bid price.

Mining

Cerro de Pasco Copper Corp.

A Copper Mine in the Clouds

A Company Well Provided With Reserves of High-Grade Copper Ore—Cannot Secure Full Benefit of Its Heavy Silver Production Under Present Low Price for the Metal in the Open Market

By C. S. HARTLEIGH

THE Cerro de Pasco Copper Corporation was organized in 1915 by American capitalists, for the purpose of acquiring the properties of the Cerro de Pasco Mining Co., the Morococha Mining Co., and the Cerro de Pasco Railway Co. Its properties include the most important mineralized areas in the department of Junin, Peru, South America.

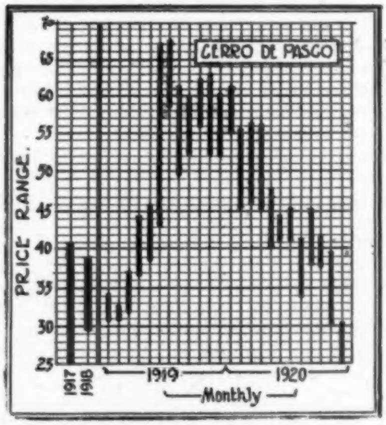
CERRO DE PASCO is one of the coppers favored by high grade copper ore, and considerable silver production which serves to reduce its copper production cost when applied as a credit. Like all other coppers, however, it is suffering from poor copper market and curtailed production. Furthermore, it cannot gain the advantage of the domestic price of silver as determined by the Pittman Act, but must dispose of its silver at the open market price, which at this time is less than two-thirds the price of silver mined in the United States. This disadvantage as compared with domestic producers, is equivalent to about 1½c. per lb. of copper.

The mining town of Cerro de Pasco is situated on a plateau, 14,280 feet above sea level, and in the midst of one of the oldest and richest silver mining districts of the republic. The silver mines were discovered in 1630, and during the following 270 years, it has been estimated that the annual average production exceeded 1,500,000 oz. Some 340 silver mines were in operation in 1890, and the population was estimated at 10,000. Today the inhabitants number about 6,000, mostly mining laborers and their families, of whom only a small proportion is white.

The mineralized area under exploitation is a mile wide and two miles long, and includes a group of high mountains, which on a relief map might suggest to the observer a knot tying the two great ranges of the Andes together. The climate is either wet or dry, the rainy season extending from November to April. Snow or hail falls at any time, either summer or winter, and all seasons are bleak and disagreeable. On account of the high altitude the poor native labor is doubly inefficient, which, coupled with the fact that the ores are refractory and difficult to treat, makes it apparent that mining operations in such a locality must be conducted under severe natural handicaps.

Outside Pittman Act

Another unfavorable influence under which the company is working at the present time is the price of silver, which is not salable at 99½c. an ounce, as it would be if produced in the United States under the Pittman Act, but must be disposed of at around 65c. and under, according to the present outside market for the metal. The Pittman Act covers only silver of domestic origin, that is, silver mined and refined in the United States. Metal that is refined in this country, but mined beyond our borders, does not come under the act.



The effect of this law is probably of greater importance than simply to support the price of silver produced in the United States, for if we consider the fact that the silver production of the United States is about one-third the world's total production at this time, it will be clear that domestic silver is completely taken out of the open market, and consequently the quantity of metal which serves to supply the open market, and affect its price, is greatly reduced. Therefore, the Pittman Act actually has the effect of supporting the open market price of silver above the level to which it would gravitate in the absence of such legislation. This artificial influence on the silver market will probably continue for the next four years, under the present rate of domestic production.

Regarding Cerro de Pasco from the standpoint of a copper producer, it will be observed that its profits on silver cannot serve to reduce its cost of producing copper to the same extent as would be the case if this silver were produced in the United States. Therefore, the company is at a disadvantage in this respect, as compared to copper producers in the United States, who are in a position to credit their by-product silver at 99½c. an ounce as against 65c. On a basis of 70,000,000 lb. of copper and 3,000,000 oz. of silver, this difference in the market price of silver would be equivalent to a little less than 1½c. per pound of copper, which would be a very important item in the case of a company whose cost of production is near the selling price. However, Cerro de Pasco, fortunately, is not running so close to the wind as some of our prominent domestic producers. During 1919, it earned $5.66 a share on its outstanding stock, as compared with $6.59 in 1918, and $9.85 in 1917. After paying its regular dividend of $4 a share, it added the remaining $1.66, or a total of $1,497,547, to its surplus account. This surplus would have been just about $1,000,000 greater, if the company's silver had been produced under the Pittman Act.

CERRO DE PASCO PRODUCTION RECORD

Year.	Lb. Copper.
1906	3,389,787
1907	20,256,089
1908	23,646,921
1909	30,327,423
1910	31,713,012
1911	46,000,926
1912	45,272,000
1913	43,856,000
1914	40,758,000
1915	61,000,000
1916	71,084,000
1917	78,674,032
1918	71,906,800
1919	58,194,000
1920	58,700,000*

*Estimated.

Big Ore Reserves

The company is well provided with ore reserves of various grades. It has been estimated that the supply of 5%

A MINING DISTRICT OVER TWO CENTURIES OLD

The mining town of Cerro de Pasco in Peru is situated on a plateau over 14,000 feet above sea level, in the oldest and richest silver mining district in the world.

copper ore is sufficient to last the company 20 years. About 4 years' supply is kept blocked out ahead of the smelter consumption. Some of the ore is high-grade, ranging from 8% to 14% copper, and 15 to 70 oz. silver per ton. On the other hand, there is undoubtedly considerable low-grade ore, assaying around 2% copper, and even lower, which is included in the general estimates of available ore.

The company's total investment in mines and development to date is about $28,000,000. When the American company assumed control of the properties, it disregarded old schemes of development, and opened the Cerro de Pasco property with two tunnels, each about two miles long, and five shafts, four of which are 410 feet deep, and the fifth, or main working shaft, has a depth of 800 feet.

Timber is very expensive in the district, and it is used only for shaft lining, and for timbering important tunnels. The stopes, from which ore is removed, are filled with waste rock to support the walls and prevent caving which might interfere with mining operations in adjacent workings. The property lies in a basin, and the mines are very wet, especially below the level of the drainage tunnel at a depth of about 430 feet. Powerful pumps handle the water from the lower workings.

The company's properties in the Morocoha and Yauli districts include the Mina Gertrudis, which develops a 6-ft. vertical vein of high-grade silver-copper ore, developed by a tunnel, and short cross-cuts and winzes; the San Francisco mine, developed by a 4,000-ft. tunnel; the Mina San Miguel, developed by two tunnels; and a half interest in the Natividad mine, which is developed by numerous workings to a depth of about 1,000 feet on a 4-foot vein of silver-copper ore. The last named property is being opened by a new tunnel driven under the old workings.

The company owns extensive coal properties north of Cerro de Pasco. The two principal coal camps are about four miles apart, and about 28 miles from the company's smelter, which in turn is 9 miles from Cerro de Pasco. The various camps and plants are connected by branch lines of the Cerro de Pasco Railway. The main line of this railway, which is operated as a subsidiary of the Cerro de Pasco Copper Corporation, is 83 miles long, running from Cerro de Pasco to Oroya, a junction point on the Central Railway of Peru, 130 miles by rail from the seaport of Callao. Including all spurs, sidings, and yards, the Cerro de Pasco Railway has about 135 miles of standard gauge track, laid with 70-lb. rails, on an average grade of 1.5%, and a maximum grade of 3%. The equipment includes 14 locomotives, 6 switch engines, and more than 300 freight cars of various kinds, all of the best American manufacture. The railway is operated on a self supporting basis.

The company's smelter is at La Fundicion, near Tinahuarea, and is equipped with roasters, blast furnaces, reverberatory furnaces, sintering machines, and converters. The 99% blister copper from the converters is shipped to Baltimore for refining.

The present smelter is out of date, and will probably be superseded by a new smelter, authorized in August, 1919, and now under construction. The plant will be completed in the next two years, and will have a capacity of about 2,500 tons daily. It will be located at an elevation some 2,000 feet lower than the present smelter, and in a more strategic position with respect to mines and transportation facilities.

The company's hydro-electric power plant at Oroya has an available capacity of 16,000 horsepower, which is transmitted to the various properties at a pressure of 43,000 volts.

The company employs about 2,200 men at the copper mines, 1,500 men at the smelter, and about 1,600 men at its coal properties, or a total of about 5,300 men under recent normal conditions.

Production and Prices

Cerro de Pasco's copper production is shown in the table herewith. The production for the first ten months of 1920 amounts to 43,922,000 lb., which suggests a production of about 52,700,000 lb. for the year. The company's standing as a low-cost copper producer has been maintained in the past by virtue of such factors as substantial production, high average grade of ore mined, and credit for gold and silver produced. During the past year the company's production cost has increased, on account of decreased production, and the declining market price for silver. These adverse influences, together with the decline in the price of copper, will have an unfavorable effect on current earnings.

The price range of the company's shares is illustrated in the accompanying graph. There are 898,229 no par value shares outstanding. They are selling low, along with other copper shares, and will eventually make a substantial profit for present purchasers.

However, it would be wise to exercise patience regarding the purchase of any copper stocks at this time, for although they may be near or at the bottom, we are not yet in a position to know just how wide the bottom of the cañon may be into which they have plunged, and our carrying charge will be less if we can restrain our impulse to buy until the shares begin to climb the hill on the other side, especially with those stocks that have fallen into the habit of passing dividends, or are about to do so.—vol. 26, p. 30.

THE TRUCK EXPRESS

A fully loaded 1½-ton truck recently made 935 miles in 24 hours at the Indianapolis Motor Speedway. The fact that the speedway is in no better condition than the average hard surface road and, in fact, is undergoing repairs requiring a temporary bridge at one part of the track, indicates what is possible with a truck designed particularly for pneumatic tires. When we stop to consider that the distance traveled is very nearly the same as from New York to Chicago over the highways, one is brought to a realization of what could really be done provided proper road facilities and policing were available.

The time has come when we must revise our ideas of highway travel to a considerable extent and bring them more closely parallel to what we expect over the railroad lines. As yet we are only scratching the surface of what can be done with pneumatic equipment.—*Automotive Industries.*

Petroleum

Cosden & Co.

Cosden Maintains Record Earnings Despite Depression

Interest in Company Assumed by S. O. of Indiana—Affiliation Has Already Brought Results

By **H. O. WEBSTER**

SHARES of Cosden & Co., since being listed on the New York Stock Exchange, have been decreasingly active and sagged off in price from above 40 to a recent low around 26.

The plants and producing properties of Cosden & Co. have grown out of a comparatively small organization begun by J. S. Cosden and associates perhaps a decade ago. Today the company's refinery at West Tulsa, Oklahoma, is among the very largest under independent management and as well-equipped and efficient as any refinery under Standard control. Moreover the company's crude oil production has been substantially increased.

In other words, it looks as though Cosden & Co. shares had been declining just prior to the company's greatest period of development and prosperity.

Present Financial Arrangement

The Cosden & Co. of today is an outgrowth of the old Cosden & Co. of Oklahoma, and the Cosden Oil & Gas Co. The original companies, now merged into one unit, were engaged in oil refining and oil producing respectively. The merger was effected, of course, to permit of more efficient operations and greater economy.

The present company has an authorized capitalization, including 1,400,000 common shares of no par value, and $7,000,000 preferred of par value $5. There are 719,008 preferred shares outstanding and 911,394 shares of common. As of October 31, 1920, the company had outstanding $8,048,500 in 5-year convertible sinking fund gold 6% bonds. These bonds are secured by the entire properties, present and future, and all the assets of the subsidiaries of the Cosden Co. They do not mature until July, 1932.

In the old days, the man who had a few oil wells in his name was looked upon as assured of a comfortable fortune. The proprietor of an efficient and well-equipped refinery occupied an equally enviable position.

Today, even the huge oil industry has been developed to a point where refiners, to be safe, must have oil production either in their own name or under contract. Their equipment is liable to lie idle for a long while in any other case. As for the producers of oil, the rapidity with which flush production has frequently sunk to no production at all and the difficulty of getting their oil to market, if carrying or even refinery facilities are not available, have all taught the unwisdom of trying to go it alone. The oil game was the little man's paradise in the early stages of its development. It is now on a basis where only the strongest, with ramifications extending into all phases of the industry, can be counted upon to survive.

It is the lack of just such facilities which has jeopardized the position of the innumerable small companies organized since the oil boom of a short while ago. It is the possession of them which marks a strong organization.

Cosden's Varied Interests

Cosden & Co. is remarkably well rounded. In addition to its oil operations, the company is an extensive producer of casinghead gasoline, a large percentage of which is recovered from gas from its own properties. Earnings on the company's casinghead plant have been estimated as running very close to 200% a year, and the company has a production of about 30,000 gallons a day, which rate it should be able to maintain for a long period to come.

At one time, the Cosden organization operated three refineries, one at Bigheart, another at Cushing, and a third at West Tulsa. At present Cosden is concentrating on the West Tulsa branch.

The West Tulsa refinery is equipped to manufacture almost every known petroleum product. It has about 70 pressure stills, which greatly increase the yield of gasoline by extracting a large amount of gasoline from gas. The daily capacity of the plant was recently set at 25,000 barrels of crude when it is run down to coke and greatly in excess of this when used only for a skimming plant.

Largest Production in Oklahoma

Cosden & Co. has big production in Oklahoma, promising producing properties in Kansas and some holdings in Texas, from which latter comparatively little is to be expected. The Texas production, recently estimated at around 170 barrels a day, was the outcome of an extensive drilling campaign begun in the Desdemona and Stephens County territories in 1919. It will be remembered that, when these fields were first opened, a concerted rush to "get in on the ground floor" was made by practically every oil company of importance in the country, as well as by some concerns which formerly had nothing to do with oil. Cosden's disappointment was not unique.

Practical oil men expect substantial results from the Kansas properties, where Cosden has extensive leases.

The company's chief production, in Oklahoma, amounts to not less than 11,000 barrels a day, practically all settled. The most important property contributing to this production is in Creek County and covers about 4,000 acres located in the heart of the Cushing field.

Increasing Earnings

From an earnings standpoint, Cosden & Co. has made remarkable progress. For the six months to June 30, 1920, earnings after interest and estimated taxes, but before depreciation, were $6,632,587. This figure would be at the rate of $15 a share for the year. It contrasts with earnings in the same period of 1919 of $4,281,533.

In commenting on these earnings in a statement to stockholders, President Cosden said that they indicated earnings for the entire year of over $12,000,000. His prediction has been amply verified, and perhaps sooner than he expected; as the company's operations returned over $12,000,000, before taxes, in the ten months through October.

The company's earning power and outlook are much strengthened by reason of the conservative policy practised as regards depreciation. Liberal charges against depreciation are made on all the properties, the rate in 1918, for instance, varying from a minimum of 5% on tanks, cars and steel storage, to 33½% on automobiles used in field work. The rate on refinery and pipe line was 10%. Depletion was computed on the basis of the reduction in flow and varied from 6% in the Healdton field properties, owned in fee, to 34.7% on the properties in the Cole pool.

S. O. of Indiana Interested

Its great success in the past as well as its prospect for the future are much enhanced by reason of the character of the Cosden & Co. management. J. S. Cosden has made a solid reputation for himself in the oil world. Backing up his association with the company is the fact that in recent months direction of

(Continued on page 347)

Trade Tendencies

Prospects of Leading Industries as Seen by Our Trade Observer

As the general tendency in a given trade is but one of the many factors affecting the price of securities representing that industry, the reader should not regard these trade tendencies alone as the basis for investment commitments, but merely as one of many factors to be considered before arriving at a conclusion.

CHEMICALS & DRUGS

At Different Extremes

THE two major divisions of the chemical industry—industrial chemicals and drugs—represent two entirely different situations. Thus, while industrial chemicals are still at their peak, the drug markets have been severely hit and seem to have "done their bit" with regard to the deflationary movement. Being impossible to classify together, these two branches will have to be dealt with separately.

Industrial Chemicals

On the whole, prices are approximately double those of 1914. A few products, such as citric, sulphuric and tartaric acid, are back to pre-war levels, but these are specifically used in the drug industry. The heavy industrial chemicals, used in various manufactures and in fertilizers, are still very high, although there is a disposition to cut the price of fertilizers somewhat.

CHEMICALS AND DRUGS—Chemical prices at peak and buyers are on a strike. Orders fewer. Drugs almost liquidated. Better business expected.

SHIPPING—Sharp decline in imports and exports. Ocean freight rates drop. Many vessels tied up for want of cargoes.

STEEL—Independents in not so good a position as the U. S. Steel Corporation. Will independents under-sell the leading interest?

RUBBER—Tire industry at 25% capacity. Raw rubber selling at lowest prices in history. Immediate situation unfavorable.

OIL—Crude prices weak. Demand for refined products smaller. Lower prices all around looked for.

LEATHER—Signs of renewed activity. Exports fall off. Shoe business expects turn next spring.

SILK—Better feeling. Demand for finished silk slightly improved. Raw silk quiet and at lowest levels.

Owing to the apparent discrepancy between chemical prices and prices of other commodities which have been severely reduced, the consuming interests have satisfied themselves that chemical prices are too high. A virtual buyer's strike has ensued and as a result the manufacturers are finding themselves in a relatively uncertain position. The concrete evidence of the situation is that only one-half of the normal contract business has been done at this date. Under the circumstances, manufacturers are seriously considering the advisability of a cut in prices.

The consumer is not in a good position to buy at present high prices. Contract prices on materials into which chemicals go, have been reduced already, and as a result the manufacturers of these products are faced with the alternative of either cutting their production costs or selling at a loss. In many cases, they have been able to get raw materials, other than chemicals, at lower prices, and they are now waiting for chemicals to come down before they start large manufacturing activities. Until these come down radically, it is safe to say that they are going to do little business with the chemical manufacturers.

The latter, of course, appreciate the situation and probably would be willing to reduce their prices, except for the psychological effect they fear this would have on the buyers. The situation, therefore, has practically resolved itself into a deadlock. On the whole, however, it is apparent that the advantage rests with the consumer and the fact that the manufacturers of chemicals are beginning to figure on the possibility of price reductions, shows which way the wind is blowing.

On the score of operating costs, chemical manufacturers are in a favorable position. Coal has declined and lower contract prices are anticipated for next year. This is one of the two important items in chemical manufacture, labor being the other. There is little immediate likelihood, however, that labor costs will decline much in this industry. Nevertheless, the drop in coal allows some greater leeway, and manufacturers could probably see their products decline without suffering any untoward hardship.

In any case, there seems little room for doubt that the deflationary movement will not finally engulf this particular branch of the industry. Considering the general state of industry, it is logical to expect that the chemical interests will make the best of matters and accommodate themselves to the new situation.

Drugs

The drug market is in a relatively better position than industrial chemicals, so far as the outlook is concerned. This branch of the chemical industry has already passed through its crisis and may be said to be convalescing. It is true that there is little activity going on but the fact that prices have declined on the average about 50% since January 1, 1920 (see Table), suggests that this industry has done its major share in getting back to a more normal basis.

Liquidation has been thorough and it is understood that in many cases stocks have become depleted. When year-end

inventory taking has been accomplished renewed buying is confidently anticipated. Prices are attractive enough to induce buying, although it is not to be expected that this will be on the broad scale of

DRUG PRICES.

	Jan. 1, 1920	Dec. 1, 1920
Camphor (Amer. refined)	$3.30	$1.20
Cream tartar	.55	.40
Menthol	13.50	4.00
Potassium bromide	.90	.25
Acid citric	.85	.45
Acid oxalic	.32	.17
Acid tartaric	.60	.45
Ipecac (Rio)	3.10	2.75
Rhubarb root, C. R.	1.75	.65
Senega root	2.50	.95

last year on account of the general industrial depression. Nevertheless, a greater measure of stability ought to be attained and consequently a better foundation for business dealings.

SHIPPING

Exports and Imports Decline

NOTWITHSTANDING the unfavorable exchange situation, September and October exports showed a gain, but this was due to the fact that shipping orders were executed on contracts made in back months. In November, the effects of the general slump in foreign buying were more apparent, exports showing a decline of 10% from the previous month.

The exchange situation is not the only drawback. Europe and other parts of the world are going through a period of deflation, quite comparable with ours. Business has slackened and the need for our products is not so pressing and where there is need, there is no money to buy. In addition, foreign manufacturers, especially in Europe, are loaded with taxes so high that the burden has become very great. This has interfered with buying of our raw materials, which would have otherwise been used in manufacturing the finished product. Under present conditions, shipping interests have to depend to a large extent on the foreign demand for grain, foodstuffs, etc., which are the only commodities going out in volume. This is an unsatisfactory situation and describes the plight of the exporters and consequently the shipping interests.

For the greater part of the year, ocean freight rates have declined so that they are now not far above 1914 levels. Coal can now be shipped from Hampton Roads to Rotterdam for about $4.50 a ton, whereas in November, 1919, it cost $23 a ton. While other ocean rates have not declined so much in proportion, nevertheless the decline in coal rates, roughly speaking, is fairly typical of the general situation.

On the present basis, the shipping interests cannot make any money. Nor does it look as if the situation will improve for some months. The decline in November exports was merely a start in a general direction. Indications are that in December and January there will be some further striking declines. This is a condition which will probably continue

throughout the balance of the winter months.

The most striking and significant feature of the situation is that imports have declined steadily since last June. November imports show a decline of 45% since last June when the maximum was reached. Not for 15 months has the volume of imports been so small.

Shipping activities are at a low ebb. The U. S. Shipping Board has 50 vessels tied up in New York. A similar situation prevails in other ports. The Pacific shipping interests have been hit to the same extent as those operating in the Atlantic routes. Keen competition exists for whatever trade may be had and although ocean freight rates have declined considerably, further declines are anticipated.

A sign of the times is that the Shipping Board is said to be considering a sharp downward revision in the price of its ships. It is now asking $160 to $175 a deadweight ton for coal burners and $175 to $185 a ton for oil burners. Instead of this a price of about $100 a ton is looked for. In this manner, it is hoped that Government owned ships can be transferred to private interests more rapidly than they have been in the past, owing to the excessive prices demanded by the Shipping Board.

The situation can be summed up by saying that there is a surplus of tonnage for immediate needs. This explains the practically complete cessation of new building. The shipbuilding industry, except for strictly naval projects, faces a long period of inactivity. As for the ships afloat, their owners, for the most part, will consider themselves fortunate, if they can make both ends meet during the next few months.

STEEL

Independents vs. Steel Corporation

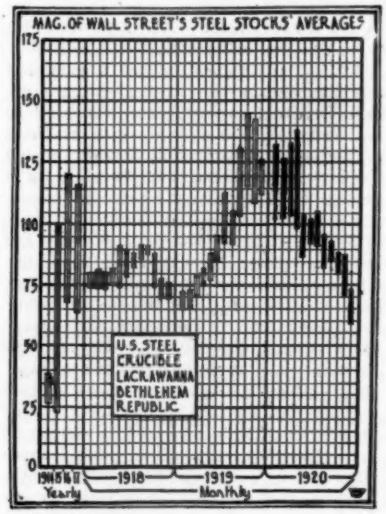
CONDITIONS differ greatly in the steel industry. The leading interest continues nearly fully occupied while the independents are in the doldrums. Actual output for the Corporation continues at a 90% rate, with the independents struggling along at something like 35% capacity. This latter rate, however, is not a fair index on account of the slackening activity caused not only by the industrial depression but by the usual year-end adjustments and holidays. A more reasonable estimate would probably be about 45%, but the first two weeks in January will afford a better idea as to the actual rate of production with regards to independent operations.

While U. S. Steel Corporation unfilled tonnage has dropped, the Corporation, nevertheless, is booking a considerable amount of business. It is understood that sufficient orders are on hand to ensure the operation of the plants, on the present output basis, for the next 6-7 months. Although the independents have reduced their prices practically equivalent to the U. S. Steel or Industrial Board basis, they have not been able to take any business from the leading interest.

As a matter of fact, the contrary seems to be true, as the Corporation is now getting some of its business from entirely new sources. This latter bears out the impression that as between the Steel Corporation and the independents, the former is in a much better position with regard to getting new business. In fact, it is hardly probable that the leading interest will suffer at all next year, comparatively speaking, while the independents will have to struggle along with what business they can find.

This brings up the question as to whether the independents may not shade prices under those recently established, in order to get a bigger share of the available business. This is a question which is now uppermost in the minds of those engaged in the steel trade. Those who disclaim any such possibility give two reasons: (1) It is not expected that further price reductions will induce a sufficiently great amount of buying to make this drastic step profitable; (2) production costs are still too high to permit such a step.

The independents, nevertheless, seem to be faced with an unpleasant dilemma.



To Dec. 31.

Shall they adhere to the present price schedule, allowing the leading interest to compete successfully against them or shall they reduce prices again and operate on what may turn out to be a losing basis? This is the general situation and it would seem that nothing short of a general revival in buying can help these interests. From a strictly economic viewpoint, it is hardly possible, unless buying improves considerably, that further price cuts can be avoided. This is the outlook, and, although it is by no means a certainty, indications seem to point to some such result. At the same time, it is obvious, even if the independents are not compelled to shade prices again, that every effort will be continued to get operating costs down to the lowest possible level, something which is already being attempted with regard to wages. This would, of course, tend to offset possible price reductions.

The next few weeks will probably prove critical for the independent interests. If the rate of consumption should decrease

considerably in January, the steel industry, speaking generally, will not be able to get through the present business adjustment without considerable hardship. However, at this point it is absolutely impossible to accurately estimate what may happen during the coming month, and an opinion therefore must be held in abeyance. There is one thing practically certain, however, and that is that the kind of a revival which would result in a general advance in prices can hardly come to pass for probably the first half of the year, at least.

LEATHER

The Gloom Lessens

THE leather industry has been enshrouded in gloom for such a long time that any development which is not positively bearish is regarded as a hopeful sign. In fact, there have been signs recently which would seem to suggest that the bottom was reached some time ago. For one thing, prices have held relatively firm over a period of months, indicating that powerful resistance is afforded and that liquidation has been nearly completed. There is also the fact that sentiment is improving, which is perhaps a psychological reaction but which is based on the positive opinion of the industry that the worst has already been seen.

Not that all is rosy. The shoe industry is working at only about 40-50% capacity. Buying for the Spring months has been poor and few salesmen on the road are turning in orders of consequence. The volume of shipments for immediate consumption, however, is considerable which means, of course, that in many cases retailers have allowed their shelves to become depleted. With the latter business coming in at a fairly satisfactory rate, New England factories are operating on a little better basis than that of a few weeks ago.

The real revival is anticipated in Spring when orders for Fall will have to be placed. By that time, it is expected that retail shelves will have become so depleted that a substantial amount of business will come in. Possibly by April the shoe manufacturing plants will be running on a nearly maximum capacity basis.

Optimism over future months, so far as concerns the domestic situation, seems fairly justified. The foreign situation, however, is not nearly so promising. Exports of finished leather goods dropped to $3,000,000 in November. This compares with $5,500,000 in October and $5,100,000 in September. The extent of the decline in exports may be appreciated from the fact that in July, 1919, exports amounted to $20,000,000.

To some extent, the leather industry in this country has become dependent on the foreign demand. During the past few years, the manufacturing plants have been geared up to meet just such a demand. Naturally the very considerable drop in exports and the probability that there will be no great improvement for a considerable period has very definite meaning to the leather interests.

Imports, of course, have shown a de-

cided shrinkage. For the first ten months of the year a total of 432,000,000 pounds of all raw leathers was imported against a total of 690,000,000 pounds for the previous year. Making proper allowances for the difference entailed by the lack of statistics covering imports for the last two current months of the year, it is still evident that imports have declined very considerably. In fact, they are below prewar levels with the single exception of sheepskins.

While the foreign markets are not so promising, the home market is nevertheless large enough to ensure a greater amount of business than has been the case in the past few months. The Philadelphia market is relatively active and it is understood that some good orders have been placed there. The Boston market continues sluggish but is not weak. Sentiment is decidedly more cheerful, and while the general leather industry has a long road to travel before it can regain real stability, nevertheless, it can look forward to a future that is by no means as bad as it seemed only a few months ago.

OIL

Concrete Evidences of Deflation

FOR a long time, it has been evident that the oil industry would sooner or later be compelled to fall into line with other industries. Even while enthusiasts were disclaiming any such possibility, prices here and there began to show signs of weakness. Lately, however, the movement has become pronounced and it now seems that nothing can stop its attaining greater momentum.

To Dec. 31.

In the past two weeks, there have been some significant developments tending to indicate the future course of events. Thus the Prairie Pipe Line Co. has reduced its crude oil runs 70% beginning December 14. Action has been taken in reducing the price of tank wagon gasolene 1½ cents in the Kansas City locality. Of greater significance is the cut in Corning crude oil from $4.25 to $4.00 a barrel and in Western Kentucky from $4.00 to $3.75. These are the first instances of a reduction in crude oil in the East for a very long period.

While these developments have been due to domestic conditions, the export field is also beginning to show lessening activity. Export movements in gasolene are getting lighter. Few foreign inquiries of importance are coming in, while a considerable amount of back orders have already been filled.

As indicated by the domestic markets, demand is falling off and most refined products are inclined to be easy. Lubricants, especially, are weak, but this has been a situation of several months' duration. Kerosene movements are not so good as formerly and gas oil is distinctly headed downward. Fuel oil supplies are increasing daily and consumers are holding off. This is particularly true of shipping, as a number of oil burners are laid up. The industrial situation is likewise resulting in a reduced demand for this commodity.

While several areas report a falling off in production, the total output still continues very high. The Wyoming situation is interesting. Operations there are showing a substantial increase over previous years. It is expected that many permits to drill will be granted shortly and the coming Spring should show a large increase in new work over other years.

Mexican oils are coming in at a very large rate. This is no inconsiderable factor in producing a potential over-supply in heavy oils.

Broadly speaking, the situation is one of high production at a time when demand is falling off. While part of the decrease in demand may be ascribed to seasonal factors, the general economic situation is responsible for the bulk of it. It is possible of course for the industrial situation to improve before the oil industry is involved in a drastic readjustment similar to that of other industries, but at present writing it does not look as if this will be the case. Certainly so far as the immediate future is concerned, present developments foreshadow a period when resistance to lower prices will become more feeble.

RUBBER

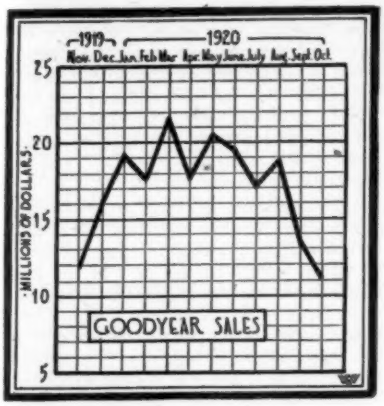
Lifeless Market Continues

THERE has been practically no change in the rubber market during the past few weeks except that all grades declined another cent or two. Raw rubber today is selling at its lowest level in history.

Depression in the industry is the result of two factors: the slump in the demand for tires and over-production in the Far East plantations. Imports are naturally on a very small scale. In November 6,448 tons of raw rubber were imported as against 15,674 tons in November, 1919. Some of these imports are for the account of manufacturers who believe that present prices are attractive enough to warrant purchase, even if the stuff purchased does not go into manufacture for many months. In other words, some of

the current imports are for storage purposes, indicating that while imports are small, even less is going into actual consumption.

Practically all lines of the rubber manufacturing industry are operating at low ebb. The policy of curtailing output is being faithfully followed. Indications are that there will be no activity in tires, mechanical rubber goods, rubber footwear, etc., until buyers come into the market. The manufacturers are going to take



no chances in piling up stocks with the outlook so uncertain. Not only that, but they still have to liquidate a good share of the stocks which they have on hand and which were manufactured out of high-priced raw material.

The tire industry is working at about 25-30% capacity. There is a very high rate of unemployment in the tire-manufacturing districts. It is estimated that in Akron alone, over 50,000 are out of work. The attached graph shows the decline in sales of the Goodyear Co. and as the latter is representative of the tire industry, a good idea is gained of the present situation.

There are some encouraging features, however. Many manufacturers now feel that it was a great mistake to specialize completely in tire-making. They are now considering the advisability of broadening their fields so as to ensure greater stability. Had this policy been followed before, the tire manufacturers would have now been in a much better position.

The most favorable feature, of course, is that while prices have dropped, manufacturing costs have also come down. Thus, there have been some fairly heavy wage reductions. Coal has also dropped. Many of the raw materials used in the manufacture of sundry rubber articles are now at a price very attractive to the manufacturers. Among these are certain chemical and compounding materials, cotton fabric and raw rubber itself.

These favorable developments are of ultimate consequence, however. They hardly enter into the immediate situation. For the present, the problem before the manufacturers is to get rid of their surplus stocks in the face of a dormant market. This is working out slowly. Nevertheless, it is working, and considering the very drastic reduction of output, it is only a question of time when present stocks will finally find their way to the consumer. There is no doubt that there will be some

improvement before many months go by and we would not be surprised to see a renewal of activity before that.

SILK

Sentiment Changes

WHILE there have been no developments of a startling nature either way in the silk industry in the past few weeks, it is evident that most interests believe that the worst is over. The situation, however, is highly mixed, some of the silk markets doing better than others.

Raw silk, China, Japan and Italy have been holding firm although the actual business is slight. The Japanese markets are still feeling the abstinence of the American importing interests who seem disinclined to do any large business. For the present, the importer has the advantage as he knows that there is nothing in sight to justify rising prices, so that his position is more or less secure. He also hesitates to make commitments in the raw material, aware of the fact that stocks in the market are sufficient to meet current needs. Business in the Milan silk market is practically stationary. European manufacturers and importers are well supplied, and do not anticipate any immediate demand of proportions.

Finished silks are in a somewhat better position than they have been recently. The broad silk market is slowly getting into a stabilized position, and while there is no big buying, the manufacturers no longer feel so apprehensive as they did a few months ago, when it was difficult to sell broad silk at almost any price. So far as the broad silk market is concerned, buyers and sellers appear to be in a sort of waiting position. Neither wishes to appear over-anxious, although if the buyer could be induced to make fair bids, sellers would, no doubt, make suitable concessions. However, they are no longer in the mood to sacrifice their goods, which in itself is a sign of a somewhat changed position.

The throwing interests report good business. Stocks are low and there has been considerable buying of a necessitous sort. There seems to be the prospect for a few weeks of brisk business in this department.

About 20% of the silk looms in this country are operating. This is probably an excellent thing for the industry, so far as long-range prospects are concerned as there can be no doubt that more than 20% of the stocks on hand is being moved. Christmas buying while not up to expectations, nevertheless, has been fair, and some fortunate retailers are understood to have moved a good proportion of their stocks. In any case, the very extent of the curtailment in production, indicates the near possibility for a revival in activity which will produce better results for this industry than has been the case in the past six months. While the outlook does not appear excessively bullish, there is good reason to believe that the silk industry has indeed seen the worst and that some moderate improvement can be anticipated in the near future.

RAILROADS BROKE RECORDS IN 1920

In a comprehensive review of railroading in 1920, Thomas DeWitt Cuyler, chairman, Association of Railway Executives, said in part:

"This is the record year of American railroad operation. Not only has a larger gross tonnage been moved than ever before, but new records have been established in the amount of transportation gotten out of each car. Even during the war year of 1918 the highest performance was 494 ton miles per car per day, while for August, 1920, the average was 557, and for September and October, 565.

"The statement is being made in various quarters that the railroads will shortly seek a further increase in rates. I know of no movement on the part of the railroads for a general increase in rates, nor do I expect any. It is true that the railroad companies are not yet receiving from the increased rates anything like the 6% return needed. But the railway executives realize that they are trustees of a great public interest in the reduction of railroad operating expenses to the lowest possible figure, and every effort will be made during the coming year to accomplish this by further economies and efficiency.

"Private ownership and operation of railroads as a measure of sound public policy rests largely upon its superior efficiency and economy. In my judgment the American railroad companies during the present year have fully justified, and during the coming year will make every effort to continue to justify, the support and confidence which public opinion in gratifying measure has already accorded them."

"AMERICAN BANKS HAVE ACCEPTANCE POWER OF $3,847,000,000," SAYS ROBERT H. BEAN

(Continued from page 295)

tions and banks throughout the United States since January 1, 1920, an aggregate of over $1,380,000,000 of acceptances.

"The Federal Reserve banks have been giving splendid support to the development of the open discount market. This support is being availed of to a less and less degree as the market develops.

"The idea of lending money on call against acceptances as collateral and at a preferential rate is growing in favor and as this feature develops the market will be strengthened.

"Sound credits are of importance to everybody, particularly to the banker, especially in these times of inflation. The trade acceptance needs explanation rather than defense. It has proven its efficacy and beneficence. Its benefits are acknowledged by satisfactory users in every line of business, who are enthusiastic in proclaiming its merits."

GERMANY'S DEMORALIZED RAILROADS

(*Continued from page 300*)

terests" becoming the boss of over a million men is as the red flag to the bull. And the red flag is already receiving enough attention in Germany.

The formation of the Federal Railroad Stock Company under the direct supervision of the Minister of Transportation advised by a carefully selected board of experts, is the one scheme that sounds plausible. Whether it would prove practical depends entirely upon whether the German people, with particular reference to the railroad employees, can rid themselves of metaphysics and socialistic flapdoodle long enough to see what is obvious.

The first obvious difficulty lies in the excess number of men on the payroll. If Germany employed 740,502 men six years ago and employs 1,043,620 now, a child knows that she is employing at least 303,038 too many at the present time. And when too many men are employed, there are always a number who should be weeded out on the plain ground of inefficiency. Also, the German Reich paid too much for the roads when it took them over. Passenger rates are too low and freight rates much too low. There is a tremendous amount of hauling being done in Germany today and the central Government should be paid for it. Unnecessary repairing should be stopped until the deficits show a tendency to decrease.

As to the employees themselves, they have the choice between working twice as energetically and four times as sympathetically, or eventually walking home, for there will soon be no trains to haul them unless they do.

MAINTAINS RECORD EARNINGS DESPITE DEPRESSION

(*Continued from page 339*)

the company's affairs has been largely assumed by interests associated with the Standard Oil Company of Indiana. During the period in which these new interests have been acting, Cosden's operating expenses have been materially reduced and better prices have been obtained for its products.

But few common stocks of oil companies outside the Standard group can safely be recommended as investments. Some former S. O. subsidiaries, in fact, as, for example, Galena Signal Oil and Union Tank Line, have a speculative tinge. But unless the proven possibilities of such a company as Cosden are to disappear overnight, its common shares, now selling around 26, are entitled to the rating of a promising specvestment. There may be more than a little truth in the report that strong interests have been accumulating this issue. The preferred shares and the company's bonds have distinct merit as investments.—vol. 26, p. 562.

Readers' Round Table

BOND YIELDS AND COMMODITY PRICES

Editor, THE MAGAZINE OF WALL STREET:

Sir: An article in your issue of November 13 by Mr. G. C. Selden on "Powerful Factors Working in Money and Bond Market" revives a theory that I have never been able to reconcile with the basic principles of prices and credit. Under the sub-topic, "Bonds and Cost of Living," it is explained that fluctuations in bond prices are due—in part at least—to the buying power of the coupon; that a 3% coupon which in 1906 was worth three one-hundred-cent dollars is now only worth three fifty-cent dollars and therefore the bond is less attractive and changes hands at a low figure. This same theory has been used extensively in THE MAGAZINE OF WALL STREET in other articles on bond prices and (as Mr. Selden points out) is dwelt on quite fully in "A Century of Prices." This would be true enough if the bond were sold for one-hundred-cent dollars at all times but such is not the case. When the coupon is worth only three fifty-cent dollars, or $1.50 (of buying power) then the bond itself can be bought for one hundred fifty-cent dollars or $50.00 (of buying power) if the coupons were denominated in some different unit from the bond. That is, if the bond called for payment of one hundred gold dollars of standard fineness, etc., and the coupons were payable in wheat, then the bond price would fluctuate, depending on the relative prices of wheat and gold; but as long as the interest coupons are denominated in a fixed *per cent* of the face amount of the bond, I can see no way that depreciation of one does not proportionately depreciate the other.

There is no doubt that bond prices—or better, bond yields—move with commodity prices in a general way. This is probably due largely to psychological factors. When prices are rising, money is growing cheaper. One who purchases bonds is laying aside present wealth to provide for the future—hoarding, if you like. We are not nearly so likely to hoard or accumulate a commodity which is falling in value as we are one whose value we believe will appreciate. This is, of course, tied up with the cycles of accumulation and dissipation of capital. As prices rise, people tend to value money less and the things which it will buy more. This is true, not only of economists and theorists who may understand the "whys and wherefores," but of every one down to the common laborer. As prices fall and wages decline, we find on every hand apprehension as to the future; the attention of everyone is centered—not on "how much can I get for my money?"—but "how can I protect what I have against loss?" This naturally leads to a broader interest in high grade bonds.

Mr. Selden's explanation of the expansion and collapse of credit is extremely clear and accurate and I believe this is a type of article that is especially appreciated by your readers.

If my viewpoint of the subject as outlined above is in error, I should be very glad to have you straighten me out.—F. R. P.

In the article referred to, I did not attempt to develop fully the economic influences which cause bond yields to rise and fall roughly in harmony with commodity prices. If you will read pages 75-78 of "A Century of Prices" in connection with pages 39 and 40, you will get a more comprehensive view.

Your reasoning is correct if we compare a static condition of prices at a certain level with another static condition of prices at another level—double the first, for example. But the trouble is that prices never are stable at any level for long at a time.

Simmered down, this influence doubtless is "psychological," as you say. That is, the buyer of a bond unconsciously reasons, if we may use such an expression, that the dollars he will get back when the bond matures may not be worth so much in purchasing power as the dollars he is paying for the bond; hence he must get a higher per cent of yield to compensate him for that possible loss.

The more fundamental reason—but less immediately obvious to the casual reader—is that when commodity prices rise liquid capital becomes scarce, and its price (or the yield on a bond) therefore rises in response to the scarcity, just as eggs, potatoes, and other commodities rise in price when they are scarce. Therefore bond prices must fall. Likewise after commodity prices fall, capital becomes more plentiful and therefore cheaper, so that interest rates and bond yields fall and bond prices rise.

I cannot resist adding that one of the chief rewards of the editorial staff of this publication is the frequent evidence of the keen thought and careful study that our readers bring to bear upon our articles. No point is too abtruse for them, and unless expressed with perfect accuracy and completeness, it is quickly caught up and we find ourselves called to account. This highly intelligent interest creates stimulating conditions under which to work.—G. C. S.

THE QUESTION OF "OUTSIDE INCOME"

Editor, THE MAGAZINE OF WALL STREET:

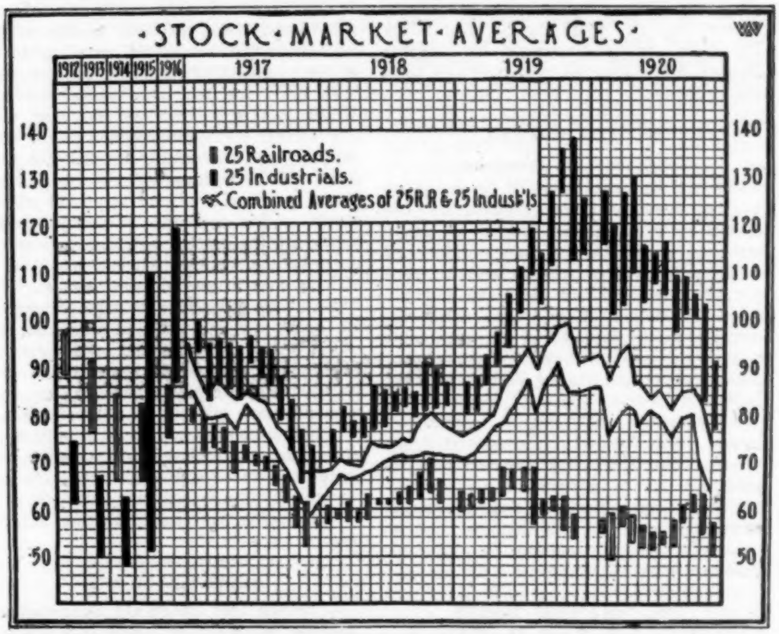
Sir: The article in the October 30 issue of your magazine on "Outside Income" in the Building Your Future Income Department was exceedingly timely. Some time previously I conceived the idea of making a start toward the same goal and in connection with that would much appreciate your opinion on the technic of the plan I worked out.

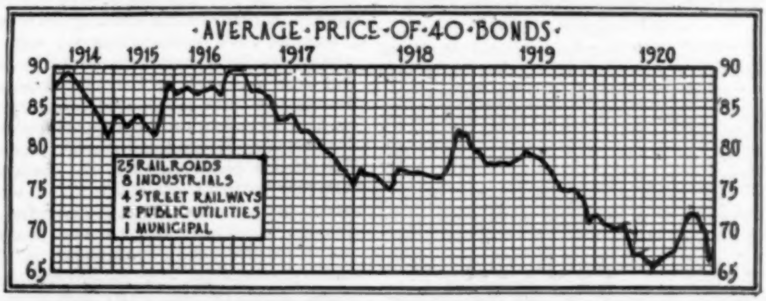
My resources are $1,000 of capital and $75 per month that I can save. Some time ago your magazine spoke rather ap-

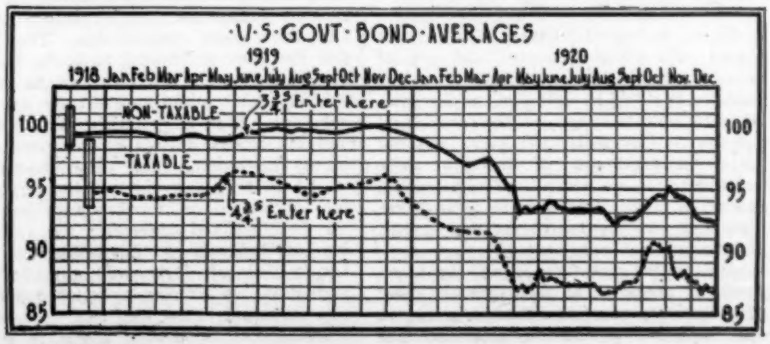
(*Continued on page 363*)

MARKET STATISTICS

	N. Y. Times. 40 Bonds.	Dow, Jones Avgs. 20 Indus.	20 Rails.	N. Y. Times —50 Stocks— High.	Low.	Sales.
Monday, Dec. 20.....	67.26	68.52	71.36	66.54	63.36	908,268
Tuesday, Dec. 21....	67.10	66.75	69.80	66.03	63.04	1,593,802
Wednesday, Dec. 22.	66.72	67.02	70.74	65.06	62.70	1,420,526
Thursday, Dec. 23...	66.63	69.63	72.63	66.75	64.44	1,088,221
Friday, Dec. 24......	66.85	68.91	72.33	66.83	65.42	635,300
Saturday, Dec. 25....			Holiday			
Monday, Dec. 27....	67.21	68.01	72.66	65.95	64.68	656,461
Tuesday, Dec. 28....	67.06	67.96	73.05	65.86	64.70	816,338
Wednesday, Dec. 29	67.38	69.20	75.50	67.45	65.12	1,169,735
Thursday, Dec. 30..	67.82	70.03	75.56	67.75	66.12	1,108,943
Friday, Dec. 31.....	68.66	71.95	75.96	68.85	66.80	1,000,000
Saturday, Jan. 1.....			Holiday			







To Dec. 31

Answers to Inquiries

(Continued from page 319)

SEABOARD CONS. 6s

Security None Too Good

This road has shown fairly good earnings for two months since release from Government control, but we do not believe this record can be continued. Our railroad expert has made a thorough examination of the security behind the bonds, and the road's general condition and his report is unfavorable. We believe the road is headed toward a reorganization and therefore the bonds are an undesirable purchase. We would rather buy or hold the St. Louis-San Francisco 6s (adjustment or income bonds) for safety of principal and ultimate results.

NEVADA COPPER

Conditions Are Promising

We do not believe it will be necessary to switch into Chile Copper, as the status of most copper companies would seem to be about the same. They all await a renewal of the demand for copper at a price where they can sell the mine production at a profit. This demand is slow in appearing, but must come sooner or later. We believe the proper action to take as regard copper holdings is to retain the same and await future developments. This advice applies, of course, with regard to the standard porphyries, like Utah Ray, Nevada and Inspiration, where, although some are better than others, a rising security market often ignores fine distinctions as to "value." In such a market Nevada would advance with all others.

THE "TRANSIT" ISSUES

B. R. T.—I. R. T.—R. R. of 'Frisco

We would suggest a switch from one B. R. T. 7% into two United R. R. of San Francisco 4s certificates of deposit at about the same price. The 'Frisco company is now earning its interest and the reorganization has been completed, and we look for a material improvement in the market value of the issue.

We regard Interborough Rapid Transit 5s as superior to the B. R. T. 7% note.

I. R. T. 7s

The "Fives" Better Than "Sevens"

There is little likelihood of the notes being paid off at maturity, and one of two things will happen at that time. The notes will either be extended, or the noteholders will foreclose on their collateral security. Ordinarily, the notes sell for about one and one-half times the price of the bonds, in which case there would seem but little difference in their value, inasmuch as there are one and a half bonds for each note secured.

We believe that the 5s will be taken care of regularly at their interest date; foreclosure proceedings, though, might tie up the principal and the interest on the 7s for some while, and there also might be some expense attached to these proceedings. We, therefore, believe that the bonds are a better security to hold than the 7s—we might add that our anticipation of reduced operating expenses on the Interboro seems likely to be realized in the near future, as the company is planning to operate two cars with one guard. This will materially cut down the number of employees required.

MIDVALE STEEL

Switch Into "Smelters" Suggested

MIDVALE STEEL. The report of this company for the nine months ending September 30 showed the earnings to be at the rate of $5.15 a share, as compared with $2.55 for the same period in 1919. While this is an excellent showing, with any further serious depression in the steel industry you can readily see that the dividend will be endangered. We do not believe, however, that the condition of the stock or the company is sufficiently affected by the present situation to warrant your taking the loss that you would incur if you sold at the present market. We believe you can afford to take the chance of being able to get out at about the price you paid, by holding until there has been a recovery in the general list. We believe Midvale will share in any general advance, but we do not believe it is a stock to hold for the long pull, when the price of other securities, more seasoned and more stable, is taken into consideration for investment purposes.

We prefer American Smelting at these comparative levels.

INVINCIBLE OIL

Switch Into Union Oil Suggested

From its earnings report this company would appear to be making favorable progress. We believe, however, one of the causes for its weakness (in addition to the fact that most of the oil issues have declined in price to a considerable extent) is the fact that in the balance sheet of August 31, of its total assets placed at $38,000,000, considerable of that amount is credited to items at prices which would seem to be rather high. Take for instance "Good-will," which has a credit of $6,000,000 and "investments in subsidiary companies" at $12,500,000. The exact value of these assets cannot be accurately determined, but we believe they are above their actual worth. There is also the item of "capital in lands, buildings, leases, wells, etc.," placed at $14,000,000, which would appear to be a high valuation. Our oil specialist has looked into the affairs of this company and he is of the opinion that our subscribers would do well to avoid the stock, except for speculation on temporary rallies, and we therefore are suggesting the switching of holdings in Invincible Oil to Union Oil of Delaware, now selling around 20, as offering a better opportunity for profit in the long run.

Union Oil is coming along in good shape, is well managed, its subsidiaries are increasing their earnings, and in time

this issue should make an excellent showing and sell higher. It seems to offer a better basis for speculative investment than Invincible.

AETNA EXPLOSIVES

Assent to Merger Advised

In any merger with the Hercules Powder Company, or any other corporation, the stockholders' interest in the assets of the company would be conserved to the same extent as if the merger had not been affected, except that the assets of the merging corporation would be combined. In a matter of this kind, it has developed that where a majority of the stockholders have voted to consent to a merger, it is advisable for stockholders who have withheld their approval to join in with the majority, as the standing of a minority stockholder is very uncertain. We should say that the proposed merger of these two companies would make a strong combination.

FISK RUBBER

The original par value of this stock was $100, but it was reduced to $25 in May, 1919. The company has suffered along with other rubber concerns, and its shares at present are selling at a very low price in the market. The dividend was recently passed. We believe it is a fair speculative purchase at the present market, despite the passing of the dividend. It could not be compared for stability with U. S. Rubber stock. For a speculative purchase it has its attraction among the low priced issues and is a suitable medium for exchange ("switching") of many other slow-moving, non-dividend-paying stocks on the order of Erie common, B. R. T. common, Caddo Oil, Chic. G. W. Pfd., New Haven and others.

WILLYS-OVERLAND

A Suggested Switch

The directors at their meeting, December 15, passed the dividend on the preferred stock, which also acts as a nullification of the dividend on the common. The stock at its present market value would appear to have discounted most adverse factors connected with the automobile industry, and this company in particular. We believe that eventually the company will work out of its trouble and that the stock will sell higher. It is a question whether you care to wait a long period of time to make up your loss. If you do not care to hold the stock on the probability of it some day reaching a fair market value, we would suggest a sale at the market and a purchase of Hupp Motors, now selling around 10 on a 10% dividend basis, par value of share $10. This company has excellent prospects, and is in a good financial condition, and with better conditions in the industry has an excellent chance of ultimately improving its dividend position. In the long run the exchange should prove beneficial.

ISLAND OIL & TRANSPORT

Development Most Disappointing

We have received information from Mexico, that we believe to be reliable, to the effect that salt water has played havoc with the company's production. Apparently its only production at present is from its two wells on lots 162 and 135 Chinampa, and these have been "pinched" on account of encroaching salt water. The company has contracted for delivery of 25,000 barrels daily from the Nicholas well on lot 114 Chinampa, but this well, we are also assured, cannot last long, as all other wells on this lot have already gone to salt.

It is reported that the company has been buying a good deal of oil to make up shipments, and this may account for the discrepancy between quantities shipped and its net profits. We also understand that cost of development has been most expensive, and that its Comales well was drilling for over three years, and probably cost as much as $250,000. It was abandoned earlier in the year, but preparations are now being made to deepen it. Other wells drilled have also proved disappointing, which may also account for the rather poor earnings shown in comparison with its production of oil.

There is nothing we know of, at present in sight, that can place a more hopeful interpretation on earnings, and no factors that give promise of developing into radical changes as affecting these earnings. While much was expected of the Tampico field, and the company has been passing through a period of relatively high prices for Mexican crude oil, its chance to develop into the kind of company most people expected, has apparently come and gone. One piece of litigation after another seems to have haunted its development, and each time the stock has shown signs of buoyancy some unfavorable angle of the great "oil game" seems to get in the way.

With the thought that it may be a long, long pull, and the chances at present distinctly against the investor, the stock seems worth avoiding for the present. A switch into Cosden & Co. looks advisable, the latter being a growing company, with large equities behind its stock, and an administration that seems as competent as it is aggressive and cautious.

PROSPERITY IN GLASS MANUFACTURING INDUSTRY

(*Continued from page* 318)

ican Window Glass common stock held in the treasury of the holding company. This stock, like American Window Glass common, pays $12 a share and sells at about 106, yielding about 11%.

To simplify matters a bit, it might be well to say that no American Window Glass common stock is available, the entire amount being held by the American Window Glass Machine. The other issues, however, American Window Glass preferred and both the preferred and common stocks of the American Window Glass Machine Co., are occasionally traded in on the Pittsburgh Stock Exchange.

The substantial earnings of American Window Glass and its sound financial position entitle all the issues mentioned above to good investment rating. The company faces a dependable future and an increased demand for window glass will come with the building boom now reasonably in prospect.

WILL FARM VALUES FOLLOW PRICES OF FARM PRODUCTS?

(Continued from page 309)

create co-operative buying and selling organizations to reduce the wide margin between producers and consumers; proposing projects for the reduction in planted areas so as to force a rise in prices of their products.

Whether any of the plans succeed in accomplishing anything to relieve the present emergency of low prices for farm products—and continued high prices for the things the farmer buys—is questionable. The fact, of course, is that elemental economic conditions beyond control of governments or other institutions are responsible for the present depression in the farm industry, and when the present drastic readjustment in business and industry is completed, farming like every other industry will come back.

The farmer who has debts that he cannot pay and cannot extend will have to sell his land, and of course he will not find any buyers at the extreme high prices reached for occasional farms sold to over-enthusiastic purchasers in the past year; but there is no such condition existing on the farms today as that of the land boom of 35 years ago when the collapse resulted in foreclosures by the thousands and long continued distress among land owners in many sections of the country.

The amount of mortgages on farms has not gone up in proportion to the rise in prices of farm lands, and except in the case of the speculative land buyers who gave second mortgages, the present predicament of farmers will not result in many foreclosures and forced sales.

Despite all the complaining and protesting that have come from farm organizations throughout the country about the violent slump in prices of farm products, the great majority of owners of farm lands have confidence that the constantly greater increase in city population than in farm population is going to make farming an increasingly profitable industry through the years to come, and that there is no reason to become panic-stricken over the present temporary relapse, and the great dissappointments in the violent fall in prices and consequent losses of the present crop year.

As evidence of this confidence in the future of farming it is significant that there are fewer farms advertised for sale now than for a long time past, and almost none that are desirable. Those offered for sale are chiefly poor land in out-of-the-way places, that are priced low because they are undesirable, and are over-valued despite the low price asked.

There may be a change next year. If farm prices are to continue low, and farming is to remain unrenumerative for several years, there will be discouraged farmers anxious to sell for any price they can get.

But the average farmer does not believe that prices will remain unremunerative, and this also is the opinion of the country bankers and the country merchants and of the most experienced city dealers in farm lands.

Current Bond Offerings

Issue—	Maturity.	Offering Price.	Approx. Yield to Maturity.
Government, State, Municipal:			
ϕCity of Pensacola, Fla., School 6s	1922-32	To Yield	6-5.75%
Public Utilities:			
†Cons. Gas, Elec. Lt. & Pr. Co. of Balto. Gold 7½s	1945	97¼	7¾
†Metropolitan Edison Co. (Reading, Pa.) 8s	1935	95.82	8.50
†Kansas C. Pr. & Light Co. 8s	1940	100	8
†Pacific Gas & Electric Co. 7s	1940	99	7.10
†Middle West Utilities Co. 8% Notes	1940	95.25	8.50
Industrials:			
†General Asphalt s. f. 8s	1930	98.50	8.20
ϕCerro de Pasco Copper conv. 8s	1931	100	8
‡Riordan Company, Ltd., 8s	1940	99	8.10
†Beaver Board Co. 8% Notes	1933	99.50	8.10

ϕSmallest denomination issued $1,000.
†Smallest denomination issued $100.
‡Smallest denomination issued $500.

Consolidated Gas, Electric Light & Power Co.—The company does the entire gas, electric light and power business in Baltimore. Its operations also extend into the suburbs and surrounding counties, serving a population of about 775,000.

The proceeds of these $5,000,000 bonds, together with additional cash to be furnished by the company, will provide $5,625,000 for refunding $468,000 maturity notes and for additions and extensions to gas and electric plants, transmission lines and distribution systems, all of which will be completed before the end of the year 1921.

The $5,000,000 first refunding mortgage sinking fund 7½% gold bonds, Series B (equally with $3,500,000 6% Series A bonds pledged under the company's 7% secured convertible note issue and $8,253,100 outstanding convertible 5% notes) are secured by mortgage upon all property now owned or hereafter acquired.

Bonds are reserved to refund all underlying issues.

As the extensions to be financed by the proceeds of this issue are required to meet an increasing demand for gas and electric service, it is confidently expected that a satisfactory ratio of annual net earnings to fixed charges will be maintained. The company's gas and electric rates have been and still are considerably lower than those in any other large city on the Atlantic seaboard.

An annual sinking fund of 1% of all first refunding mortgage bonds from time to time outstanding, first payment not later than August 1, 1923, is to be used for purchase or call and retirement of first refunding mortgage bonds.

The company has $14,608,700 capital stock outstanding. Continuous cash dividends on the stock have been paid since 1909, at rates averaging 6½% per annum for the last 11 years. The present rate, 8%, has been paid since April 1, 1917.

All the company's franchises are unlimited as to time and no other company can enter the field without the consent of the Public Service Commission of Maryland.

Metropolitan Edison Company.—Interest payable semi-annually May 1 and November 1 in New York. Coupon bonds, registrable as to principal only, in interchangeable denominations of $1,000, $500 and $100, exchangeable for fully registered bonds in denominations of $100 or multiples thereof. Redeemable as a whole or in part on any interest payment date, upon thirty days' published notice, at the principal amount thereof, plus accrued interest, together with a premium of 7½%, in the year 1921 and ½ of 1% less per year during each year thereafter. Interest payable without deduction for federal income taxes now or hereafter deductible at the source not in excess of 2%. Free of Pennsylvania State tax. Tax refund in Massachusetts and Connecticut.

The Metropolitan Edison Company was organized under the laws of Pennsylvania by the consolidation and merger of all the property and franchises of the Metropolitan Electric Company of Reading, Pa., the Edison Electric Illuminating Company of Lebanon, Pa., and the Lehigh Valley Electric Light Company, and controls the Pennsylvania Utilities Company of Easton, Pa., through ownership of practically all its outstanding common stock. The company furnishes electric light and power service in Reading and Lebanon, Pa., and 64 other communities, and supplies practically all of the current used by the Reading Transit & Light Company. At the present time, about 70% of the company's gross earnings is derived from the sale of electrical energy for power purposes. The population of the territory served is estimated at 300,000.

Kansas City Power & Light Co.—Principal and interest payable in New York or Chicago. Interest payable semi-annually June and December 1. Coupon bonds, in interchangeable denominations of $1,000, $500 and $100, registrable as to principal, and fully registered bonds in denominations of $1,000, $5,000, $10,000 and $25,000. Coupon and registered bonds are interchangeable. Redeemable in whole or in part on any interest date on sixty days' notice on or before December 1, 1925, at 107½ and accrued interest; thereafter and on or before December 1, 1930, at 105 and accrued interest; thereafter and on or before December 1, 1935, at 102½ and accrued interest, and thereafter until maturity at 101 and accrued interest.

Interest payable without deduction of normal federal income tax deductible at

the source, not in excess of 2%. Pennsylvania four mill tax refundable. The Kansas City Power and Light Company serves with electric light and power the City of Kansas City, Missouri, and a portion of Kansas City, Kansas, the total population served being approximately 450,000.

Pacific Gas & Electric Co.—Interest payable June 1 and December 1 in New York or San Francisco without deduction of the normal federal income tax of 2%. Coupon bonds in denominations of $500 and $1,000 each, registrable as to principal only, and interchangeable with fully registered bonds in denominations of $1,000, $5,000 and $10,000 each. Redeemable at the option of the company on any interest payment date upon sixty days' prior notice at 110 and accrued interest on or before December 1, 1930, and at 105 and accrued interest thereafter.

Exempt from all personal property taxes in California. Application has been made to the Superintendent of Banks to certify these bonds as legal investment for savings banks in California.

The Pacific Gas and Electric Company is recognized as one of the largest of the well established and successful public service corporations in the United States. The electric business of the company or of its predecessors has been in continuous and successful operation for more than forty years, and the gas business for more than sixty-five years.

General Asphalt Company.—Principal and interest payable at the office of Bankers Trust Co., New York City. Interest payable June 1 and December 1. Coupon bonds in $1,000 and $100 denominations, with privilege of registration of principal. Redeemable at the option of the company on any interest date on 30 days' published notice in amounts of $500,000 or multiples thereof, at 105 on or before December 1, 1926; at 104 on or before December 1, 1927; at 103 on or before December 1, 1928; at 102 on or before December 1, 1929, and at 101 thereafter prior to maturity, with accrued interest in each case; callable for sinking fund purposes at the same dates and prices.

The bonds are convertible at the option of the holder at any time after January 1, 1923, into common stock of the company, par for par. If bonds are called, either at the option of the company or for sinking fund purposes, conversion may be made up to and including redemption date.

The company agrees to pay the normal federal income tax not to exceed 2% per annum, and to reimburse holders resident in Pennsylvania for the four mills tax assessed in that State, and paid by them, upon request to the trustee within 60 days after payment.

The General Asphalt Company, through its subsidiary companies, is engaged in the production and sale of asphalt and oil, and the manufacture of a wide range of their products. Its diversified production gives it a dependable earning power throughout the year and has developed allied industries which are already established and capable of great future growth.

Cerro de Pasco Copper Corporation.—Coupon and fully registered bonds in denominations of $1,000. Coupon and

registered bonds interchangeable. Redeemable by operation of the sinking fund, on any interest date after 60 days' notice, at 105% and accrued interest. Convertible, at the option of the holder, until and including January 1, 1931, or, if called for redemption after 60 days' notice, then until and including the redemption date, into stock of the corporation at the rate of 30 shares of stock for each $1,000 principal amount of bonds, equivalent to a price of $33⅓ per share of stock.

The Cerro de Pasco Copper Corporation was incorporated under the laws of the State of New York in 1915, and owns copper mines and other properties in Peru. The approximate average annual output in the last five years has been 64,000,000 pounds of copper and 5,200,000 ounces of silver.

These bonds will constitute the sole funded debt of the corporation. The proceeds of the sale of these bonds will be used to reimburse the corporation for expenditures on the construction of a new smelter and to provide funds for its completion, part of the cost being met from current earnings.

BRITAIN'S IMPORTS AT LOWEST POINT IN YEAR

(*Continued from page* 299)

find the United States Treasury under the terms of the Pittman Act the best customer for their silver, but it should affect the producers of nickel, particularly, of course, International Nickel, favorably, by creating an additional demand for their product or removing large supplies of the metal from the market. One reason for the step was that the Government was losing money on every one of the old silver coins it minted, whereas, on the new coins it shows an actual profit in the difference between the face values of the coins and their bullion values. This seigniorage, it is believed, will go to reduce the floating debt.

Money Market Tight

The money market has maintained a generally tight condition, in spite of the disbursement of over £60,000,000 in interest on war bonds. Should the Government put out a new issue of short term bonds with attractive features to fund the floating debt, it would probably tighten money still further, and in attracting American funds into English investments, might temporarily raise the value of the pound sterling in the New York market, especially if the level of investment yields should continue to decline in the United States.

Money tightness is indicated by the steady failure of new investment issues of a gilt-edged character, notably the recent Seven Towns issue, of which 90% or more was left in the hands of the underwriters.

The shares of the British subsidiary of American Safety Razor, called the "British-American Safety Razor Company, Ltd.," have met with a good reception, indicating a favorable opinion of the outlook for the company, and of its parent concern. The new company will act as a selling agency for the American company, and has exclusive rights for the United Kingdom, the whole of Continental Europe, Africa, Mesopotamia, India and Australia for manufacturing and trading in the company's products. Until its business expands, however, it will get its supplies from America at practically cost, reserving manufacture for later. Of the 400,000 shares of the par value of £1 issued, the parent concern has taken all of the 175,000 "B" shares and 25,000 of the "A" shares, offering the other 200,000 "A" shares for public subscription. On the whole, the effect of the new issue would appear to be bullish for the American Safety Razor Corporation and for the new company, which several impartial British financial publications recommend as an industrial speculation.

GENASCO'S PROSPECTS LINKED WITH CONSTRUCTION

(*Continued from page* 324)

ous thereto they were on the Philadelphia Stock Exchange.

Conclusion

The earnings of General Asphalt, while fair, have not been exceptional. During the past ten years it has earned the preferred dividends by a good margin in every year except one. The cumulative dividends on this 5% preferred were paid in full by an extra dividend of 8½% in 1912 and the present rate has been maintained regularly since then.

Due to a large fire which occurred fairly recently at the Barber Asphalt Paving Company the company will not only suffer some financial loss on property destroyed but not covered by insurance. The loss in earning capacity is also likely to be felt somewhat. The plant is to be rebuilt, but this will take both time and money and will add additional fixed charges to operations.

At present prices of around 76, the company's preferred stock seems a little high, although when liquidation has run its course in the general stock market it should be a fair medium for the investment of funds by business men. The privilege to convert into common stock gives the preferred special speculative features.

The common has never paid dividends and is to be considered a speculation. Its rise to 160 in 1919 was evidently unwarranted from a statistical view but if only for technical, market reasons the issue should recover somewhat from its present price of around 40.

There is no question that latent road building in the United States is large and the next few years should witness a large demand for the company's products. Consequently, in considering the company's stocks, attention to any possible improvement in general business conditions should be given.—vol. 26, p 252.

Financial News and Comment

NOTE.—The Railroad and Industrial Digest, Notes on Public Utilities, Oil Notes and Mining Digest, contain condensations of the latest news regarding the companies mentioned. The items are not to be considered official unless so stated. Neither THE MAGAZINE OF WALL STREET nor the authorities for the various items guarantee them, but they are selected with the utmost care, and only from sources which we have every reason to believe are accurate and trustworthy. Investment commitments should not be made without further corroboration.

RAILROADS

Atlantic Coast Line.—Company was granted authority to execute an equipment trust agreement and a lease of equipment thereunder, and to assume obligations for liability of $4,500,000 of trust certificates to be issued by the Safe Deposit & Trust Co. of Baltimore.

Boston & Maine.—President Hustis has addressed a letter to the holders of the $319,000 3½% bonds of the Boston & Lowell and the $290,000 3½% bonds of the Connecticut River Railroad, both maturing January 1 next, in which the Boston & Maine offers in settlement of these maturities its ten year gold mortgage 7% bonds, interest on which is payable semi-annually.

The letter said: "On account of the present financial conditions these bonds cannot be sold on the market at satisfactory prices. Holders assenting to the proposition should deposit their bonds as early as possible with the Old Colony Trust Co. of Boston."

Central of New Jersey.—Directors failed to take action on the dividend, due at this time. It was announced that owing to the fact that the regular dividend is payable out of dividends received by it on its stock in the Lehigh & Wilkes-Barre Coal Co., the dividend would not be paid because the railroad company is enjoined from receiving it by decree of the Federal court in the Reading suit. It was stated that the company expects ultimately to receive the amount of this dividend from the coal company and to distribute it to its stockholders, but it is prevented by the injunction from doing so now.

Chesapeake & Ohio.—W. J. Harahan has been elected president of Chesapeake & Ohio Railroad Co. and the Hocking Valley Railroad Co. and a member of the board of directors of each road. Mr. Harahan succeeds the late George W. Stevens.

Chicago & Alton.—Company has decided not to accept the Government's compensation offer of $3,178,314, which represents the road's standard return. The directors asked for $4,592,500 and hold that compensation based simply on standard returns is not sufficient. An appeal for the higher sum will be made to the Court of Claims.

Chicago & Eastern Illinois.—Company has filed a petition with the Commerce Commission asking for authority to issue its new securities, to take over the Chicago & Eastern Illinois Railroad Co., now in the hands of receivers, for the purpose of reorganizing the line, and to issue bonds and stock to meet the outstanding obligations of the old company.

It asks for authority to take over the underlying bonds and equipment obligations of the old carrier to the amount of $5,350,000, which are not to be distributed, and proposes to issue prior lien bonds of the new company amounting to $4,285,000. These bonds are not to mature before January, 1961, and are to bear interest at rates to be determined from time to time, and the proceeds to be used to refund obligations to the United States, and for making additions and betterments to existing equipment.

The new corporation also asks for authority to issue general mortgage bonds to the amount of $32,156,000 maturing January, 1951, and bearing interest at the rate of 5%; also to issue 6% preferred stock of the new company to the amount of $24,030,150; also $25,500,000 worth of common stock.

Denver & Rio Grande.—Coal movement in Colorado is very heavy, amounting to about twice what it was up to this time a year ago. Less favorable reports were heard from Utah, however, where shipments have slowed up till there is now a decrease of one trainload or approximately 100 cars a day compared with a year ago.

Grand Rapids & Indiana.—At special meeting the stockholders approved the lease of the company's railway and property to the Pennsylvania Railroad for a long term of years, effective January 1, 1921. More than 93% of the stock was represented at the meeting and voted in favor of the lease. There was no opposition.

Illinois Central.—Company has 13,368 stockholders as against 12,446 last March. November brought more additions than any other month, October ranking second. Sales to employes on attractive terms gain popularity steadily.

Lehigh Valley.—A petition has been filed in the Supreme Court of the United States by the Lehigh Valley Railroad Co. and the Lehigh Valley Coal Co. asking that the decision of the court recently rendered be modified so as to omit the requirements that the Lehigh Valley separate itself from the Delaware, Susquehanna & Schuylkill River Co.

New York Central.—Application has been filed with the Interstate Commerce Commission for authority to lease and ultimately purchase the Chicago Junction Railway Co. terminal properties at Chicago, valued at about $33,000,000. The application of the New York Central declares the carrier long has needed larger freight terminal facilities at Chicago, and the lines embraced in the proposed merger are the only properties remaining unconnected with a large trunk line system spreading over the important industrial districts of Southwest Chicago, including the Union Stock Yards District.

New York, Chicago & St. Louis.—A 5% dividend has been declared on the common stock of the New York, Chicago & St. Louis Railway Co. payable January 15 to holders of record January 3. The last previous dividend paid upon this stock was 4% on March 1, 1913.

New York, New Haven & Hartford.—Judge Hough in the U. S. District Court has approved the settlement of the case of Edwin Adams and others against William Rockefeller, J. Pierpont Morgan, Charles N. Pratt and others, former directors of the New Haven Railroad, by payment of $2,500,000 to the company.

Pere Marquette.—F. H. Albert, president of the company, says: "Traffic slump and wage increase wipe out much more than the entire benefit from rate advances. Disparity between increases, wages and anticipated increased revenue for six months ending August 31 was nearly $145,000 monthly. Labor costs were 55.92% of gross earnings. Rate calculations made to net railroads 6% return were based on heavy traffic. Theoretically 40% freight rate increase is actually 35% to 36% and Michigan has not increased passenger fares."

Pittsburgh, Cincinnati, Chicago & St. Louis.—At a special meeting of stockholders to pass upon the proposed lease of the road to the Pennsylvania Railroad Co., holders of $82,877,800 out of a total of $84,518,322 stock voted to approve the lease. Holders of only $200,000 stock opposed it. Pennsylvania Railroad has already offered to exchange Panhandle 5% bonds, guaranteed by the Pennsylvania, for the minority stock, par for par. Under this offer all but a small proportion of the stock has been turned in.

Southern Pacific. — Company reopened the Sunset route via New Orleans for through travel January 1 on the basis of passenger fares charged by other routes to and from the territory served. This route was discontinued in October, 1919, by order of the Railroad Administration after it has operated at fares equal to the other routes for 37 years. Charles S. Fee, Southern Pacific passenger traffic manager, said: "An unsuccessful attempt was made a few months ago to prevent the reestablishment of these equal fares over the Sunset route and through the New Orleans gateway, but the new Southern Pacific tariff filed recently received the approval of the Interstate Commerce Commission."

Union Pacific.—Company has announced a plan whereby employes of the entire system may purchase stock of the company and make payment in instalments. The company agrees to purchase the stock in the market whenever the employe wishes to buy, and to accept partial payments. Upon completion of payments the stock is made over to the employe.

Western Pacific. — Company abandoned oil burning on most of its lines on the first of the year, and coal chutes and bins are being built and locomotives transformed. The order applies to that part of the line east of Winnemucca, Nev. It is reported that the road's decision to abandon oil for coal has been hastened by the acquisition of the Denver and Rio Grande Railroad, which owns several coal mines in Utah and Colorado.

INDUSTRIALS

Air Reduction Co., Inc.—Net profits for the 9 months ended September 30th, last, after charges but before Federal taxes, were $1,025,828. This is equivalent to $6.70 a share on the outstanding 153,000 shares of no par value. Gross income for the period was $5,362,536, and surplus after dividends was $566,-862.

American Beet Sugar Co.—Total production of sugar for the year to end March 31st, next, will amount to about 400,000 bags over the amount produced in 1919. The company is reported to have sold 25% of its estimated production at a net profit of $1,800,000, and it is expected that the balance of the output will be disposed of at more than sufficient amount to provide for all preferred dividends.

American Agricultural Chemical Co. —Asset value of the common stock is placed at approximately $156 a share by R. T. Bradley, chairman of the Board of Directors. The quick assets of the company on that date, he says, exceeded the entire indebtedness, including the outstanding bonds and debentures, by over $25,000,000, leaving the capital assets, real estate, plants, equipment, mining properties, etc. (including new plants under construction), valued at $52,680,150, "which is several million dollars less than their present cost of replacement."

Associated Dry Goods Corporation.—Year's business. According to a statement issued by President Reyburn, following the recent declaration of the regular quarterly dividends of 1% on the common stock, 1½% on the 1st preferred, and 1¾% on the second preferred, the volume of business for 1920 was the greatest in the history of the company. "Careful estimates" he said, "have been made of the result of the year's business and it appears that stocks have been remarked at replacement values as nearly as that figure could be ascertained. Inventories at this time are less in amount than a year ago. Earnings are in excess of dividend requirements, and the corporation and subsidiary companies are in stronger financial position than at the same time last year, owing the banks nothing."

Atlantic Fruit Co.—Note issue. The executive committee of the company has approved the authorization and issuance of $6,000,000 5-year 8% convertible notes. The notes are to be convertible into the stock of the company at the rate of 5 shares of stock for $100 par value of bonds. The money raised through the note issue will provide the necessary funds for completion of the company's enlarged development and for the reduction of its borrowings from banks.

Autosales Corp'n.—Financial Statement covering the 10 months ended October 31st, last, as submitted to the New York Stock Exchange, shows net income, after charges and Federal taxes, of $118,035, which is equivalent to $2.22 a share (par $50), earned on the $2,656,-150 preferred stock.

Bethlehem Motors Corp'n. — Protective body formed. The stockholders have formed a committee to protect their interests and to work in unison with creditors and bankers in the hope of forming some reorganization plan **which will** preserve their equity in the **properties.** A deposit agreement, dated December 15th, is being prepared, and under it the stockholders will be requested to deposit their stock with the Bankers Trust Company of New York. It is stated that no plan of reorganization will be declared effective without giving depositors an opportunity to withdraw their holdings and, furthermore, that the committee will make no charge unless some plan of reorganization is effected.

Corn Products Refining Co.—Extra Dividend. The company has declared an extra dividend of 50c a share in addition to the regular quarterly dividend of $1 a share on the common stock, the same being payable January 20th to stockholders of record January 3d. The company also has declared the regular

quarterly dividend of $1.75 a share on the preferred stock.

Cuban-American Sugar Co.—Annual report for the year ended September 30th, 1920, shows net profits, after all charges, depreciation, and Federal taxes, of $12,117,191, which is equivalent, after payment of preferred dividends, to $11.56 a share (par $10), on the $10,000,000 common stock. This compares with a net profit of $7,091,296, or $65.38 a share (par $100), on the $10,000,000 stock in the previous year. The profit and loss surplus on September 30th, last, amounted to $29,931,764, an increase for the year of $7,564,625.

Durham Hosiery Mills, Inc.—Capital increased. The company has increased its capital to $10,000,000, to be divided as follows: 50,000 shares of preferred stock, par value $100 each; 12,500 shares of common "A" stock, par value $100 each, and 75,000 shares of common "B" stock, par value $50 each.

Fajardo Sugar Co.—Annual report for the year ended July 21st, last, shows surplus after charges, but before Federal taxes, of $5,456,918. This is equivalent to $94.73 a share on the $5,760,100 outstanding common stock, and compares with $471,033, or $14.11 a share earned on the $3,337,200 outstanding common stock in the previous year.

Farrell (Wm.), & Sons, Inc.—Total sales for the 6 months ended September 30th, last, amounted to $8,652,932, and net profits for the same period after reserves for bad debts, depreciation, taxes and other charges, totaled $439,533.

The management regards this showing as satisfactory in view of the fact that the coal supply was vastly inadequate during the period under review, while the difficulties of transportation and labor conditions rendered these six months the most difficult ever experienced in the retail coal business.

General Electric Co. — Condensed profit and loss account as of May 31st, 1920, shows net sales billed of $106,252,420, balance after cost of sales, depreciation, etc., $13,968,194; total income, $16,319,063; profit available for dividends, $15,286,687; surplus after dividends, $8,828,311, and total surplus, $72,838,556. The consolidated balance sheet, as of May 31st, last, shows cash amounting to $45,029,377, accounts receivable, notes and acceptances receivable, totaling $48,924,867, and notes and accounts payable, aggregating $42,860,612.

General Motors Corp'n.—Stock dividend omitted. The corporation has omitted the stock di idend of 1/40th of a share, which has been paid quarterly since March, 1920, on the common stock, and has declared the regular quarterly cash dividend of 25c a share on that issue. Regular dividends of $1.50 a share on the preferred, $1.50 a share on the 6% debentures, and $1.75 a share on the 7% debenture stocks have been declared, all dividends being payable February 1st to stock of record January 10th.

Goodyear Tire & Rubber Co.—Loan authorized. At a special meeting held on December 24th the stockholders voted in favor of a $50,000,000 mortgage loan on the physical property of the company, to cover the company's new financing plan. At the same meeting it was announced that the Monnett asking for a receivership for the company had been denied by the courts.

Goodyear Tire & Rubber Co.—Annual statement, recently issued, shows a net deficit of $15,647,653, representing largely shrinkage in inventories, but not including anticipated losses on contractual obligations for rubber and fabrics, which are expected to approximate $19,000,000. The deficit is shown despite the fact that the past year was the biggest in the history of the company, with sales exceeding $205,000,000.

Grapeola Products Corp'n.—A petition in bankruptcy has been filed against the corporation, manufacturer of beverages at 10 W. 22d street, New York City. It is stated the liabilities are about $400,000, and the assets about $100,000.

Indian Packing Corp'n.—Merger approved. At a recent special meeting of the stockholders, the directors were authorized to sell, lease or exchange the company's property and assets to the Acme Packing Co. In addition to transferring the property and assets, it is proposed that the Indian Packing Corp'n shall pay the Acme Packing Co. $637,500 cash, receiving in exchange 425,000 shares of Acme Stock. The merger plan provides that as soon as the transfer has been made, Indian Packing stockholders should have the right to purchase 127,000 shares of Acme stock at $5 per share. The net result to Indian Packing stockholders is that each holder of 10 shares, by paying $15 in cash, will receive 10 shares of Acme stock, but if the holder does not desire to make the cash payment, he will receive 7 shares of Acme stock for every ten shares of Indian Packing held.

Inland Steel Company.—Plant operations. The plants of the company returned to a 12-hour day operating basis on January 1st. During the last year and a half operations have been maintained on an 8-hour basis of three shifts. The number of employes has been reduced, but the amount of pay per hour remains unchanged.

Manati Sugar Co.—Annual report for the year ended October 31 last, shows net profits, after taxes and depreciation, of $2,668,131, which is equivalent, after deduction of preferred dividends, to $24.23 a share on the $10,000,000 outstanding common stock. This compares with net profits of $1,233,097, or $9.98 a share, in the preceding year.

Manhattan Electrical Supply Co.—Gross sales in October amounted to $607,203, compared with $751,353 in the corresponding month of 1919. For the 10 months ended with October, gross sales were $6,359,339, against $5,727,566 for the corresponding period of last year. It is stated that sales for October and November showed a marked decline, both in wholesale and retail trade, but that a substantial recovery set in early in December, and that the company's wholesale business is expected to show a gradual increase during the early months of 1921.

New York Dock Co.—November gross earnings were $501,815, an increase of $54,327 over November last year, and surplus after taxes and charges was $105,414, an increase of $30,792.

For the 11 months ended with November gross earnings were $5,317,960, an increase of $585,235 over the corresponding period of 1919, and surplus, after taxes and charges, was $915,860, an increase of $112,338.

Santa Cecelia Sugar Corp'n.—Dividends passed. Owing to the unsettled conditions of the sugar industry in Cuba and elsewhere, and to the uncertainty of the financial situation generally, the directors have decided that

the best interests of the corporation would be served by withholding declarations of dividends on both its common and preferred stock for the time being, and until conditions generally shall have righted themselves. Accordingly, the directors have passed the regular quarterly dividends of 25c a share on the common and 1¾% on the preferred, due at this time.

Sears, Roebuck & Co.—December sales, with the last three days estimated, totaled $19,177,458, or a decrease of 38.03% compared with December, last year. Sales for the full year were $254,605,056, or a decrease of 1.29% compared with 1919.

Steel & Tube Co. of America.—Net income after charges and Federal taxes for the eleven months ended November 30, last, was $10,289,349, which is equivalent to $58.79 a share on the $17,500,000 outstanding preferred stock. After payment of preferred dividends, there was a surplus for depreciation and common dividends amounting to $9,166,433.

United Paperboard Co., Inc.—Surplus after charges for the 3 months ended August 28, last, was $1,183,780, which is equivalent, after preferred dividends, to $11.85 a share on the $9,186,400 common stock. After payment of preferred and common dividends, there was a net surplus for the period of $905,498.

United States Envelope Co.—New stock. At a special meeting held on January 7 the shareholders voted approval of an increase of $3,000,000 of the authorized common stock, making the total authorized $4,000,000, and bringing the total authorized capitalization to $8,000,000, of which $4,000,000 is preferred. It is proposed to issue only $750,000 of the common stock at this time.

Virginia-Carolina Chemical Co. — Bond issue. The stockholders, at a special meeting on December 28, approved by a large majority and without a dissenting vote the proposal to issue $12,500,000 12-year sinking fund debentures.

V. Vivaudou, Inc.—Annual report for the year ended August 31, last, shows net earnings, after all charges and provision for taxes, of $696,416, which is equal to $2.32 a share on the 300,000 shares of no par value capital stock outstanding. Gross business during the year amounted to $6,446,785.

Woolworth (F. W.), Company.—Biggest year. The company has just closed the biggest year in its history, with total sales of $141,250,000, which represents a gain of nearly $22,000,000, or about 18.2%, over 1919. The company's holiday trade is reported to have been the largest on record, the sales in Christmas week amounting to $10,032,273, or an average of about $1,450,000 daily.

MINING

Anaconda Copper Mining Co.—Dividend passed. At the meeting of directors on December 28th it was decided to defer action on the dividend on the stock. Three months ago $1 per share was ordered paid, that rate having been distributed quarterly since May, 1919. In February of 1919, $1.50 per share was paid, while from August, 1916, to November, 1918, the stock was on a $8 per annum basis, quarterly disbursements of $2 per share having been paid during that period.

Alvarado Mining & Milling Co.—Financial statement for the year 1920, with November and December returns estimated, shows net earnings, after taxes and interest charges, of $728,199. Owing to the uncertain outlook for the silver market and the necessity for conserving the company's cash resources, the directors have decided to omit the usual quarterly dividend of 50c payable at this time.

Callahan Zinc-Lead Co.—9 months' earnings. This company, formerly the Consolidated Interstate-Callahan Mining Co., in its statement to the New York Stock Exchange for the 9 months ended Sept. 30th, last, reports net income, after expenses and depreciation, of $276,129, which is equivalent to 73c a share (par $10) earned on the $3,793,030 outstanding capital stock.

Chile Copper Co.—Quarterly report covering the 3 months ended Sept. 30th, last, shows a surplus after charges, including depreciation, of $878,008, or 23c a share earned on the outstanding capital stock of $25 par value. This contrasts with 11c a share earned in the preceding quarter, and 1c a share earned in the corresponding quarter of last year.

Net profits for the quarter ended September 30th, last, were $2,105,160, against $1,597,360 in the preceding three months. Other income was $210,000, against $288,041. Interest charges, amortization, depreciation, etc., aggregated $1,437,242, against $1,460,687, leaving a surplus for the period of $878,008, against $424,714 for the corresponding period of 1919.

Delaware, Lackawanna & Western Coal Co.—Capital increase. At a recent special meeting the stockholders ratified the proposed increase in the capital stock from $6,800,000 to $20,000,000. It is planned to distribute $4,943,025 of the new stock as a 75% stock dividend to stockholders of record December 23d.

Granby Consolidated Mining, Smelting & Power Co.—Copper production in November amounted to 2,465,585 pounds, compared with 2,293,000 pounds in October, 2,239,175 pounds in September and 2,471,200 pounds in August. In November of last year the output was 1,776,863 pounds.

Greene Cananea Copper Co.—Dividend passed. At their meeting on December 23d the directors decided to omit the dividend payable at this time on the capital stock, "on account of conditions prevailing in the metal market." The company had on that date in copper on hand, upon the basis of the contract price for that which has been sold, but not delivered, and costs for the balance, a total of $7,340,305, against which it owed for advances on metal $1,812,848. It had no other indebtedness except for current operating expenses.

Inspiration Consolidated Copper Co. —Dividend passed. The directors recently decided that on account of prevailing conditions in the metal market, the resources of the company should be conserved and its present strong financial position maintained, and therefore no dividend was declared. The statement issued by the directors announced that the company had copper on hand, upon the basis of the contract price for that which has been sold but not delivered, and costs for the balance, a total of $10,216,724, against which it

owed for advances on metal $2,212,848. It was announced after the meeting that the company had no other indebtedness except for current operating expenses.

United States Smelting, Refining & Mining Co.—Dividend reduced. The company has reduced its quarterly dividend to 50c a share on the common stock, which dividend is payable January 16th to holders of record January 6th. The common stock paid $1.50 a share quarterly during the past year. The regular quarterly dividend of 87½c a share on the preferred stock was declared.

United Verde Extension Mining Co. —Copper production. According to present plans, the company will continue to produce about 3,000,000 lbs. of copper monthly, with one furnace of its two-unit smelter in operation. No new development will be undertaken, it is stated, but work already started will be carried to completion. The company is said to have about 12 years' ore in sight. It has more than 30,000,000 lbs. of unsold copper on hand, representing close to a year's production at the present rate of output.

Yukon Gold Co.—New tin property recently acquired by the company in the Malay States will, President William Loeb, Jr., estimates, yield between $10,500,000 and $16,500,000 over the next fifteen years, thus enabling the company to use a large part of its equipment from its expired gold operations. The company expects that by the end of June financial and commercial conditions will be so far improved as to permit financing required for further development of the company's properties.

PUBLIC UTILITIES

Cincinnati Gas & Electric Co.—New bond issue. The stockholders recently voted their approval of the proposal to authorize an issue of $50,000,000 bonds, to be a prior lien and refunding mortgage, the bonds to run 40 years with sinking fund provisions.

Of the total issue, $15,000,000 is to be set aside to refund present outstanding note issues, over $5,000,000 will be used to finance the fourth generating unit at the river power plant, and the balance will be reserved for future issue to finance future requirements of the company.

Cities Service Co.—Earnings statement covering the 12 months ended November 30th, shows gross earnings for that period of $24,629,168, as compared with $20,025,743 for the preceding 12 months. Net earnings were $23,927,711, against $19,329,354 for the preceding year. The percentage earned on the average amount of common stock outstanding in the last twelve months is given as 43.61, which compares with 39.09% for the corresponding period in 1919.

Columbia Gas & Electric Co.—Gross earnings of the company and its subsidiary properties in November totaled $1,355,202, an increase of $236,459 over November, last year. Total income amounted to $877,221, an increase of $160,834, and surplus, after charges, etc., was $452,898, an increase of $140,547. For the 12 months ended with November gross earnings were $14,634,468, an increase of $2,779,369 over the corresponding period of 1919; total income amounted to $9,916,869, an increase of $2,258,774, and surplus after fixed charges, etc., amounted to $4,831,550, an increase of $1,883,989.

Commonwealth Power, Railway & Light Co.—November gross was $2,767,988, an increase of $321,724 over November, last year, and surplus after fixed charges, taxes, etc., was $229,179, a decrease of $8,347. Balance after payment of preferred dividends was $139,414, a decrease of $8,347.

For the 11 months ended with November, gross earnings totaled $28,303,030, an increase of $4,927,148 over the corresponding period of 1919. Surplus after fixed charges, taxes, etc., was $1,496,715, and balance after preferred dividends was $509,335, a decrease of $518,023.

Consumers Power Co.—Gross earnings in November were $1,301,770, an increase of $180,311 over the same month of last year; surplus after fixed charges was $320,075, a decrease of $7,122, and the balance, after payment of preferred dividends, was $254,008, a decrease of $7,910.

For the eleven months ended with November gross earnings were $12,856,136, an increase of $2,572,872 over the corresponding period of 1919; surplus after fixed charges, was $1,892,681, a decrease of $315,975, and balance after payment of preferred dividends was $1,178,542, a decrease of $323,800.

Interborough Rapid Transit Co.—Gross earnings in November were $4,813,687, an increase of $526,737 over the same period last year. The deficit after charges and taxes was $261,430, against $155,226.

For the 5 months ended with November gross earnings were $21,989,324, an increase of $2,457,368 over the corresponding period of 1919, and the deficit after taxes and charges was $2,381,357, against $1,898,196 last year.

The company paid, on January 1st, the interest on its 1st and refunding 5% mortgage bonds, and thereby averted a possible receivership.

Nevada-California Electric Corp'n.—Gross earnings in November were $205,052, an increase of $23,848 over November last year, and surplus after charges and taxes was $47,318, an increase of $16,996.

For the eleven months ended with November gross earnings were $2,848,943, an increase of $487,282 over the corresponding period of last year, and surplus after charges and taxes was $862,621, an increase of $207,969.

Pacific Gas & Electric Co.—Gross Revenue for the 10 months ended October 31st, last, was $28,914,815, an increase of $7,200,386 over the corresponding period of 1919. After bond interest and discount, and additional depreciation reserve, there was a surplus of $3,291,875, which represents an increase of $502,354, and after preferred dividends, there was a balance available for the common stock of $1,783,193, an increase of $273,442 over the corresponding period of last year.

Third Avenue Railway Co.—November gross earnings were $1,060,260, as compared with $975,364 for the same month of 1919, and the deficit after taxes and charges was $81,800, as against a deficit of $49,000.

Twin City Rapid Transit Co.—November gross earnings were $1,182,517, an increase of $177,363 over November, last year, and surplus, after fixed charges, was $67,438, an increase of $7,230.

For the 11 months ended with November gross earnings were $11,732,212, an increase of $1,495,592 over the corre-

sponding period of 1919, and surplus after fixed charges and taxes was $952,-591, an increase of $32,981.

United Gas & Electric Co.—November gross earnings of the company and its subsidiaries totaled $1,141,305, an increase of $161,575 over November last year; totol income was $349,347, a decrease of $28,882, and surplus after taxes and fixed charges was $188,175, a decrease of $35,405.

For the 12 months ended with November, gross earnings were $12,267,563, an increase of $2,006,491; total income after taxes was $3,944,393, an increase of $343,-502, and surplus after fixed charges was $2,041,996, an increase of $274,469.

United Railroads of San Francisco.—Reorganization plan. The California State Public Utilities Commission has approved the reorganization plan, which provides that holders of the 4% bonds shall receive 15% of the face amount of their holdings in Market Street Railway Co. 5% bonds; 50% in prior preference stock, bearing cumulative dividends at the rate of 6% per annum; 5% in preferred stock bearing cumulative dividends at the rate of 6% per annum; 10% in second preferred stock bearing non-cumulative dividends at the rate of 6% per annum, and 20% in common stock of the Market Street Railway Co.

The junior securities, including unsecured notes of United Railroads of San Francisco, held by the California Railway & Power Co., will be taken care of by an issuance of $12,175,000 junior securities of the new company. This includes $3,825,000 preferred stock, $2,350,000 second preferred stock, and $6,000,000 common stock. The old company has more than $2,000,000 cash on hand, and a sinking fund of $2,470,215, which will be turned over to the new company. Dividends on the new Market Street Railway Co. 6% prior preference stock will be paid from July 1st, 1920.

United Light & Railways Co.—Gross earnings in the 12 months ended with November were $11,868,576, an increase of $1,732,378 over the preceding 12 months; net after taxes was $3,343,775, an increase of $425,854, and balance after preferred dividends was $1,490,215, an increase of $362,783. This is the best 12 months' statement reported in the history of the company.

Utah Securities Corp'n.—November gross earnings of the properties now controlled by the corporation, intercompany charges eliminated were $843,-500, an increase of $181,879 over November last year, and net earnings were $438,-841, an increase of $90,693.

For the 12 months ended with November gross earnings were $8,453,325, an increase of $1,202,215, and net earnings were $4,018,087, an increase of $274,976.

OIL NOTES

Atlantic Refining Co.—Oil Supply. The minority stockholders of the Atlantic Lobos Oil Co. are said to have reached an agreement with the Atlantic Refining Co. on the contract under which the latter obtains from the Atlantic Lobos its output of oil. As a result of the agreement and of the settlement of other minor matters by the new arrangement, it is expected that dividends will shortly be paid on Atlantic Lobos preferred stock.

Barnsdall Corp'n. — Merger Approved. The Board of Directors has

voted in favor of the proposed merger of the company with the Big Heart Producing & Refining Co. Shareholders of the latter concern will be entitled to receive stock in the Barnsdall Corp'n. on the basis of one share for every five shares of Big Heart held.

The Big Heart Producing & Refining Co. has a total authorized capitalization of $7,500,000, of which $5,500,000 is outstanding in shares of $10 par value. The company, besides owning producing oil properties in the Mid-Continent field, operates a refinery at Big Heart, Oklahoma, which has a capacity of 2,500 barrels a day.

Gross sales and earnings for the 10 months ended October 31st, last, amounted to $3,346,676, net earnings from operations totalled $531,730, and net income after interest, taxes, etc., was $474,249.

Barnsdall Corp'n.—Reports for the period from January 1st to October 31st, last, gross sales and earnings from all companies of $5,866,744, net producing and operating income of $3,542,923, and net income, after deductions, of $2,299,415.

California Petroleum Co.—Net earnings, after all charges and taxes, for the 9 months ended September 30th, last, amounted to $1,795,399, equivalent to $7.67 a share on the outstanding common stock after payment of preferred dividends. This compares with $1,489,221, or $5.65 a share earned in the corresponding period of 1919. Gross earnings amounted to $4,498,477, as compared with $3,452,591 last year.

MOTORCYCLE INDUSTRY HAMPERED BY HIGH COSTS

(*Continued from page* 325)

inventory, taken at current price levels, the largest in the history of the company. Cash on hand amounted to $366,000. The company held Canadian Victory Loan bonds valued at $20,000. Accounts and notes receivable totaled over $1,077,000, and there was due from the branches $27,382. Total current liabilities were $1,078,000. On this date the company had investments in other concerns amounting to $585,000, of which sum $301,000 was in the Harley company. The net asset value of the common stock, after deducting $5,000,000 good-will, was $52.30 per share as of August 31, 1920.

Unfilled orders on the books on August 31 amounted to 3,500 machines, as compared with 9,000 a year ago. It is reported that 200 of the 1,700 employees have been laid off and that the others have been placed on a part-time basis on account of cancellation of orders.

Recent quotations on the common stock have ranged from 46¼ to 13 this year, and at present the stock is selling around the low price. The preferred stock is quoted at about 85 a share. The earnings on the common stock, and its asset value of $52 a share, would apparently justify a higher market value, especially if the increase in export trade continues to compensate for the expected decrease in domestic trade. This issue, however, must be regarded as speculative, and the general prospect for the motorcycle industry is not especially attractive.—vol. 25, p. 557.

READERS' ROUND TABLE
(Continued from page 348)

provingly of St. Louis & San Francisco income 6s. I bought five of them at 55 and made arrangements with (a member of the New York Stock Exchange) to carry them for me as a marginal account, paying them the $1,000 and expecting to pay $75 per month into the account. As soon as I have enough margin, I expect to get five more and so on. I expect to get a total of twenty bonds by the end of 1921 and figure that if I keep on paying $75 per month for two more years after that, that is, until the end of 1923, and credit my account with the interest received, the bonds should be paid in full in 9 years. I figure on an outside income of $1,200 per year after that. As I have only five bonds at present, should the price drop to 50 in the next couple of months I would get five more and pick up the other ten sometime in 1921. I do not believe that they are likely to go below 45 as things are now.

What is your opinion of the entire scheme?—A. A. D.

There are two unfavorable points in your plan. First, you do not allow for that diversification which is essential to careful investing. The unwisdom of putting all one's eggs into one basket has been frequently enlarged upon in this MAGAZINE. Secondly, income bonds, in the class of which the Frisco issue is an example, are dependent for interest payments on the earnings of the company. This removes them somewhat from the conservative investment field to which small investors or new investors should largely confine themselves.—EDITOR.

Editor, THE MAGAZINE OF WALL STREET:

Sir: Will you kindly advise me as to the rules of the New York Stock Exchange regarding the payment of dividends on stock? Suppose I buy some stock and do not have it transferred to my name. The dividend is then sent to the original owner of the stock. Is there any way for me to get the dividend or must I have the stock transferred to my name first? Also, if I sell some stock, the purchaser does not have it transferred to his name, the dividend still comes to me, and the man or broker who bought the stock claims the dividend; must I send him a check for this amount every quarter?—J. F. S.

If you purchase stocks listed on the New York Stock Exchange, you can have same transferred into your own name, either by writing to the Registrar whose name appears on the certificate, or through a member of the New York Stock Exchange. If a dividend should fall due, the last registered owner would receive it, even though he may not be entitled to it.

Your best course would be to get in touch with the house that sold you the stock, and collect from them the last dividend if you have not already received it. Then have the stock registered in your own name to avoid any future confusion.—EDITOR.

IMPORTANT DIVIDEND ANNOUNCEMENTS

Ann. Rate	Name	Amt. Declared	Paid to Stock of Record	Div. Payable
6%	Am Agric Chem, p	1½%Q	12-20	1-15
8%	Am Agric Chem, c.	e2 %Q	12-20	1-15
$4	A B Note, c ($50).	$1 Q	2- 1	2-15
$3	A G & El, p ($50)	75c Q	1-15	2- 1
....	Anglo-Am O (£1).	52½c	.....	1-15
	—Payable to holders of coupon 20.			
7%	Asb Corp of Can, p	1¾%Q	1- 1	1-15
6%	Asb Corp of Can, c	1½%Q	1- 1	1-15
....	Asb Corp of C, p ex.	2 %	1- 1	1-15
....	Asb Corp of C, c ex.	2 %	1- 1	1-15
5%	At, Top & S Fe, p	2½%S	12-31	2- 1
7%	Atl Cst L R R, c..	3½%S	12-27	1-10
10%	A, G & W I S S c	5 %S	12-30	2- 1
....	Br Am Tob, c (£1)	4 %	12-22	1-10
....	Br Am Tob, c (final)	9 %	12-22	1-10
6%	Cit Serv, p........	½%M	1-15	2- 1
6%	Cit Serv, p B......	½%M	1-15	2- 1
6%	Cit Serv, c........	½%M	1-15	2- 1
....	Cit Serv, c ext.....	e1¼%	1-15	2- 1
5%	C, C, C & St L, p....	1¼%Q	1- 3	1-20
7%	Corn Pr Refin, p...	1¾%Q	1- 3	1-15
4%	Corn Pr Refin, c...	1 %Q	1- 3	1-20
....	Corn Pr Refin, c ext	½%	1- 3	1-20
$2.50	Cos & Co, c (no p).	62½c Q	12-31	2- 1
4%	Cramp (W) & Sons	1 %Q	12-31	1-15
8%	Detroit Edison.....	2 %Q	12-31	1-15
$1	Dome Mines, Ltd..	25c Q	12-31	1-20
6%	Dominion Steel, p.	1½%Q	1-15	2- 1
7%	Duquesne Lt, p...	1¾%Q	1- 1	2- 1
8%	Famous Pl-Lasky, p.	2 %Q	1-14	2- 1
6%	Fed Sug Refin, p..	1½%Q	1-22	2- 1
7%	Fed Sug Refin, c..	1¾%Q	1-22	2- 1
7%	Gr Northern Ry, p.	1¾%Q	1- 3	2- 1
$1	Hupp M C, c ($10).	25c Q	1-15	2- 1
$8	Indiana P L ($50).	$2 Q	1-24	2-15
5%	Internat'l Agric, p	1¼%Q	12-31	1-15
7%	Internat'l Harv, c.	1¾%Q	12-24	1-15
....	Int Harv, c st div.	e2 %	12-24	1-25
6%	Int Mer Mar, p...	3 %S	1-14	2- 1
4%	Kans City So Ry..	1 %Q	12-31	1-15
7%	Kayser (Jul), 1st p	1¾%Q	1-25	2- 1
7%	Kayser (Jul), 2nd p	1¾%Q	1-25	2- 1
50c	Kerr L M, Ltd($4).	12½c Q	12-31	1-15
$2	Loew's, Inc (no p).	50c Q	1-15	2- 1
7%	Louisville & Nash..	3½%S	1-18	2-10
6%	MacAndrews & F, p	1½%Q	12-31	1-15
10%	MacAndrews & F, c	2½%Q	12-31	1-15
12%	Mex Petrol, c.....	3 %Q	12-18	1-10
$1	Nipissing M ($5)..	25c Q	12-31	1-20
....	Nipissing M, ext..	25c	12-31	1-20
4%	Norfolk & West, p.	1 %Q	1-31	2-19
8%	Nova Sco S & C, p.	2 %Q	12-31	1-15
5%	Nova Sco S & C, c.	1¼%Q	12-31	1-15
6%	Otis Elevator, p...	1½%Q	12-31	1-15
8%	Otis Elevator, c...	2 %Q	12-31	1-15
....	Otis Elevator, c ex.	2 %	12-31	1-15
5%	Pac G & E (Cal), c.	1¼%Q	12-31	1-15
12%	P A P & T, c A($50)	3 %Q	12-18	1-10
12%	P A P & T, c B($50)	3 %Q	12-18	1-10
12%	Prairie O & G....	3 %Q	12-31	1-30
....	Prairie O & G, ext.	3 %	12-31	1-30
12%	Prairie Pipe Line.	3 %Q	12-31	1-31
8%	Procter & G, 8% p.	2 %Q	12-24	1-15
$8	Pun A Su, c ($50).	$2 Q	1- 3	1-15
....	Un Cig S of A, c.	1½%Q	12-31	1-15
$3.50	Un Dr, 1st p ($50).	87½c Q	1-15	2- 1
....	Un Fruit, st div..	x100%	12-20	1-15
2½c	Un Profit Sh (25c)	1¼c S	12-23	1-15
....	Un Profit Sh, ex..	1¼c Q	12-23	1-15
7%	U S Ind Alch, p..	1¾%Q	12-31	1-15
$2	Un Verde Ext Min.	50c Q	1- 5	2- 1
$4	Vanad Corp of A..	$1 Q	12-31	1-15
8%	Va Caro Chem, p..	2 %Q	1- 3	1-15
4%	Va Caro Chem, c..	1 %Q	1-15	2- 1
7%	West Un Tel.....	1¾%Q	12-20	1-15
$7	Westhse A B($50)	$1.75 Q	12-31	1-31
8%	W E & M, p ($50)	2 %Q	12-31	1-15
8%	W E & M, c ($50)	2 %Q	12-31	1-31

e Payable in common stock.
x Payable in stock.

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